

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2022-3031672
Office of Consumer Advocate	:	C-2022-3032485
Office of Small Business Advocate	:	C-2022-3032331
Pennsylvania-American Large Users Group	:	C-2022-3033215
Keith Saur	:	C-2022-3032345
Ivan Figueroa	:	C-2022-3032376
Carl E. Meyer	:	C-2022-3032384
Darlene Nychey	:	C-2022-3032046
Hao Tang	:	C-2022-3033043
James Pagel	:	C-2022-3032486
William H. Rissmiller	:	C-2022-3032500
Ramkrishna Sen	:	C-2022-3032501
Barbara Cetnarowski	:	C-2022-3032659
Simon Dobrev & Poli Iordanova	:	C-2022-3032511
Jerome & Sheryl Rodzinak	:	C-2022-3032623
Zachary O'Brien	:	C-2022-3032547
Maria Elena Selznick	:	C-2022-3032569
Earl Knight	:	C-2022-3032620
Meade Buffington	:	C-2022-3032670
Michael Pope	:	C-2022-3032969
Samantha Maize	:	C-2022-3032970
Kathleen Jeffries	:	C-2022-3032988
Tracy M. Rutherford	:	C-2022-3032662
Bridget L. Salkowski	:	C-2022-3032652
Sabatini Montesti	:	C-2022-3032657
Sean Seidel	:	C-2022-3032730
Trish E. Luberd	:	C-2022-3032722
Jorge Salazar	:	C-2022-3033085
Frank Piccola	:	C-2022-3033110
Amanda Barto-Ealy	:	C-2022-3032771
Judith Ann Garofolo	:	C-2022-3033211
Leroy Waters III	:	C-2022-3032999
Latrese Laporte	:	C-2022-3032830
John Palermo	:	C-2022-3032963
Paul Walaski	:	C-2022-3033057
Jessica Weiss	:	C-2022-3033080
Ellen Katz	:	C-2022-3033231
Walter J. Yourkavitch	:	C-2022-3033212
Diane Michalowski	:	C-2022-3033222
Victory Brewing Company	:	C-2022-3033275
Samantha J. Wesner	:	C-2022-3033256

West Norriton Township	:	C-2022-3033271
Xin Xu	:	C-2022-3033360
Carla Seidel	:	C-2022-3033316
Christine Nicholson	:	C-2022-3033377
James Jackson	:	C-2022-3033593
Jeff Henry	:	C-2022-3032313
Lisa Tunzi	:	C-2022-3032317

v.

Pennsylvania-American Water Company

Pennsylvania Public Utility Commission	:	R-2022-3031673
Office of Consumer Advocate	:	C-2022-3032487
Office of Small Business Advocate	:	C-2022-3032346
Darlene Nichey	:	C-2022-3033048
James Pagel	:	C-2022-3032489
Carla Seidel	:	C-2022-3032744
Nathan Woodford	:	C-2022-3032693
Stephen Nardi	:	C-2022-3032497
Lisa Inmon	:	C-2022-3033119
Karla Haynes	:	C-2022-3033586
Mark Henderson	:	C-2022-3032315
William H. Rissmiller	:	C-2022-3032499
Simeon Dobrev & Poli Iordanova	:	C-2022-3032513
Maria Elena Selznick	:	C-2022-3032578
Sabatini Monatesti	:	C-2022-3032658
Trisha E. Luberd	:	C-2022-3032723
Jorge Salazar	:	C-2022-3033206
Frank Piccola	:	C-2022-3033111
Judith Anne Garofolo	:	C-2022-3033213
Latrese Laporte	:	C-2022-3032819
Walter J. Yourkavitch	:	C-2022-3033217
Diane Michalowski	:	C-2022-3033218
Victory Brewing Company	:	C-2022-3033282
James Jackson	:	C-2022-3033594

v.

Pennsylvania-American Water Company –
(Wastewater)

RECOMMENDED DECISION

Before
Joel H. Cheskis
Deputy Chief Administrative Law Judge

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Appendix A -- List of Parties' Exhibits and Testimony Admitted into the Record

I. INTRODUCTION

This Decision recommends that the Pennsylvania Public Utility Commission (Commission) approve the Joint Petition for Settlement of Rate Investigation (settlement) filed in the above-captioned proceeding on October 11, 2022 in its entirety and without modification because it is in the public interest, consistent with the Public Utility Code and applicable precedent and supported by substantial evidence.

Under the original filings made in this consolidated proceeding, Pennsylvania-American Water Company (PAWC) proposed an increase of its total annual operating revenues for water service by approximately \$154.4 million, or 21.6%, through rates effective June 28, 2022. For wastewater rates, PAWC's wastewater division proposed an increase in total annual operating revenues for wastewater service by approximately \$18.7 million, or 16.1%, through rates effective June 28, 2022. In lieu of the originally requested rates, however, the parties have agreed to allow PAWC to increase annual water revenues by \$83 million above current levels and wastewater revenues by \$55 million. Under the proposed rates, the water bill for the typical residential customer will increase by \$8.76 per month, from \$60.48 to \$69.24, a 14.5% increase, rather than the \$15.01 increase, or 24.8%, proposed in the original filing. In addition, under the proposed rates, the wastewater bill for a typical residential customer will increase by \$30.00, from \$76.65 to \$106.65 per month, or 39.1%, rather than the \$19.01 increase, or 24.9%, increase proposed in the original filing.

The suspension period for this proceeding ends on January 28, 2023. Therefore, the Commission must act on these filings no later than its Public Meeting on January 12, 2023.

II. PROCEDURAL HISTORY

On April 29, 2022, PAWC filed Supplement No. 35 to Tariff Water-PA. P.U.C. No. 5 (Supplement No. 35) with the Commission to become effective June 28, 2022. Supplement No. 35 would increase PAWC's total annual operating revenues for water service by approximately \$154.4 million, or 21.6%. Also on April 29, 2022, the Pennsylvania-American

Water Company – Wastewater Division (PAWC-WD) filed Supplement No. 34 to Tariff Wastewater PA P.U.C. No. 16 (Supplement No. 34) with the Commission to become effective June 28, 2022. Supplement No. 34 would increase PAWC-WD’s total annual operating revenues for wastewater service by approximately \$18.7 million, or 16.1%.

On May 3, 2022, the Commission’s Bureau of Investigation and Enforcement (I&E) entered its appearance in both dockets. On May 4, 2022, the Office of Small Business Advocate (OSBA) filed a Formal Complaint in response to PAWC’s filing, docket number C-2022-3032331. On May 5, 2022, the OSBA filed a Formal Complaint in response to PAWC-WD’s filing, docket number C-2022-3032346. On May 11, 2022, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a petition to intervene in both proceedings. On May 16, 2022, the Office of Consumer Advocate (OCA) filed a Formal Complaint in response to PAWC’s filing, docket number C-2022-3032485 and in response to PAWC-WD’s filing, docket number C-2022-3032487. On May 17, 2022, the Commission on Economic Opportunity (CEO) filed a petition to intervene in both dockets. On May 20, 2022, Cleveland-Cliffs Steel Company (Cleveland-Cliffs) filed a petition to intervene in both dockets. On May 31, 2022, Exeter Township (Exeter) filed a petition to intervene. On June 1, 2022, the Borough of St. Lawrence (St. Lawrence) filed a notice of appearance. On June 22, 2022, the Pennsylvania-American Water Large Users Group (PAWLUG) filed a Formal Complaint in both dockets. On June 23, 2022, Victory Brewing Company (Victory Brewing) filed a Formal Complaint in both dockets.

In addition, approximately fifty formal complaints were filed by PAWC and PAWC-WD customers in response to both rate filings. A list of these formal complaints, and their assigned docket numbers, was admitted into the record on June 27, 2022 as ALJ Exhibit Number 1.

On June 16, 2022, by separate Orders, the Commission suspended both filings by operation of law until January 28, 2023, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), unless permitted by the Commission to become effective at an earlier date. In both Orders, the Commission stated that investigation and analysis of the proposed tariff

supplements and the supporting data indicate that the proposed changes in rates, rules and regulations may be unlawful, unjust, unreasonable, and contrary to the public interest. The Commission also determined that consideration should be given to the reasonableness of the company's existing rates, rules and regulations. As a result, the Commission ordered that an investigation be instituted in response to both filings to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed tariff filings, as well as a consideration of the lawfulness, justness, and reasonableness of the existing rates, rules, and regulations. The Commission assigned the cases to the Office of Administrative Law Judge for Alternative Dispute Resolution, if possible, and for the prompt scheduling of hearings as may be necessary culminating in the issuance of Recommended Decisions.

On June 16, 2022, a hearing notice was issued for both filings establishing a telephonic prehearing conference for these matters for June 27, 2022 at and assigning me as the presiding officer. A prehearing order was issued on June 16, 2022 setting forth rules that would govern the prehearing conference. On June 24, 2022, prehearing memoranda were filed by the following parties: PAWC,¹ I&E, OCA, OSBA, CAUSE-PA, CEO, PAWLUG, Cleveland-Cliffs, Victory Brewing, St. Lawrence and Exeter.

The prehearing conference convened on June 27, 2022, as scheduled. The following parties were present: Brook McGlinn, Esquire, for PAWC; MacKenzie Battle, Esquire, for OCA; Gina Miller, Esquire, for I&E; Erin Fure, Esquire, for OSBA; Ria Perrera, Esquire, for CAUSE-PA; Joseph Vullo, Esquire, for CEO; Errin McCaulley, Esquire, for PAWLUG; Karen Moury, Esquire, for Victory Brewing; Joan London, Esquire, for St. Lawrence; and J. Chadwick Schnee, Esquire, for Exeter. Several consumer complainants also were present.

As an initial matter, the two separate rate filings, along with all of the complaints filed in response to them, were formally consolidated without objection. This includes the complaints filed against both rate filings by the OCA, OSBA, PAWLUG, Victory Brewing, as

¹ Henceforth, "PAWC" will refer to both the water and wastewater divisions unless otherwise indicated.

well as all of the more than 50 formal complaints filed by PAWC customers as identified in ALJ Exhibit Number 1. PAWC had previously filed a motion to consolidate the rate filings. In addition, the petitions to intervene filed by CAUSE-PA, CEO, Cleveland-Cliffs, St. Lawrence and Exeter were also granted, again without objection.

It was also agreed during the prehearing conference that any consumer complainant who wishes to remain an active party must affirmatively indicate as such by email to all the parties. Affirming the intent to remain an active party in this proceeding means, among other things, that the consumer complainant will continue to receive all emails and correspondence in this case. If a consumer complainant does not affirm their intent to remain an active party in this proceeding, that consumer complainant will no longer receive all emails and correspondence in this case. However, those consumer complainants will remain on the Commission's official service list and will receive all documents issued by the Commission. These consumers also will be allowed to testify at a public input hearing in lieu of submitting written testimony.

Next, the parties agreed to the following litigation schedule:

Non-Company Direct Testimony	July 29, 2022
All parties' Rebuttal Testimony	August 19, 2022
All parties' Surrebuttal Testimony	September 1, 2022
Written Rejoinder or Outlines	September 6, 2022
Evidentiary Hearings	September 8-14, 2022
Main Briefs	September 29, 2022
Reply Briefs	October 11, 2022

It was agreed that the evidentiary hearings would be held telephonically and begin at 10:00 a.m.

A scheduling order was issued on June 30, 2022 memorializing the matters agreed upon at the prehearing conference, including modifications to the Commission's discovery

regulations, and the need for a protective order. The scheduling order also noted that, as discussed at the prehearing conference, the Commission encourages settlement.

On June 24, 2022, PAWC filed a petition for a protective order. The proposed protective order was unopposed and approved via order dated July 15, 2022.

The public input hearings were held telephonically on July 19, 20 and 21, 2022, with hearings held all three days at both 1:00 p.m. and 6:00 p.m. for a total of six public input hearings. Over the course of those six hearings, 52 people provided testimony, as summarized below.

The parties submitted pre-served testimony and exhibits pursuant to the agreed upon procedural schedule.

On September 12, 2022, an evidentiary hearing was held in this matter. The following parties appeared: PAWC, I&E, OCA, OSBA, CAUSE-PA, PAWLUG, CEO, Exeter, Cleveland-Cliffs, St. Lawrence and Victory Brewing. Oral rejoinder and cross examination of several PAWC witnesses was conducted. The preserved testimony of the other witnesses was admitted into the record via stipulation with cross examination waived. A list of the preserved testimony and exhibits admitted into the record of this proceeding is attached to this decision as Appendix A.

At the conclusion of the hearing, a discussion was held regarding the opportunity to submit briefs on the disputed issues, if any. The parties agreed that main briefs on any disputed issue will be filed pursuant to the scheduling order on September 29, 2022 and reply briefs will be filed on October 11, 2022. Similarly, the parties were instructed that any partial or full settlements are to be submitted on September 29, 2022, and any opposition to the settlement is to be submitted by October 11, 2022. In addition, the parties were instructed that, to the extent the case was not settled, rate case tables were to be attached to the main briefs and emailed to the presiding officer in Excel format. To the extent that the case was settled in whole or in part, statements in support of the settlement from the respective parties were to be included with the

settlement. Regardless of whether the case was settled in whole, in part, or not at all, the parties were instructed to attach to their filings proposed findings of fact, conclusions of law, and ordering paragraphs in support of their positions.

On September 21, 2022, the transcript of the September 12, 2022 hearing was submitted to the Commission. The transcript, including the public input hearing transcripts, comprises a total of 771 pages.²

After the hearing, however, the parties continued to engage in settlement discussions. As a result of those discussions, on September 23, 2022, the parties indicated that they had reached an agreement on revenue requirement and requested additional time to continue settlement discussions regarding other issues. The parties requested that the briefing schedule be modified to allow for additional settlement discussions. As a result of the extensive efforts set forth by the parties which have been fruitful, and in light of the presiding officer's authority to regulate the course of the proceeding, 52 Pa. Code § 5.483(a), the briefing schedule was modified to enable the parties additional time for further discussions. If the parties were able to reach a full settlement of all the issues, the settlement would be due on October 11, 2022 and any objections from the consumer complainants would be due on October 18, 2022. If the parties were not able to reach a full settlement of all the issues, any partial settlement and briefing on the contested issues would be due October 3, 2022 with replies due on October 11, 2022. On September 28, 2022, briefing order #2 was issued memorializing modifications to the briefing schedule.

As a result, on October 11, 2022, a full settlement among all the active parties of all the issues was submitted. The settlement was signed by PAWC, I&E, OCA, OSBA, St. Lawrence, Cleveland-Cliffs, CAUSE-PA, CEO, Exeter, PAWLUG and Victory Brewing. No active party opposed the settlement. Attached to the settlement were the water tariff, wastewater tariff, proof of revenues and information regarding amortizations, DSIC-Total Aggregate Plant

² On September 26, 2022, the OCA filed proposed transcript corrections pursuant to Section 5.253 of the Commission's regulations. 52 Pa. Code § 5.253. No objections were filed in response to the OCA's proposed transcript corrections. Therefore, pursuant to Section 5.253, those corrections are adopted.

Costs, bill comparisons for both water and wastewater and proposed joint findings of fact, conclusions of law and ordering paragraphs. In addition, each active party submitted a statement in support of the settlement.

Pursuant to briefing order #2, copies of the settlement were provided to each of the formal consumer complainants. The formal consumer complainants were given until October 18, 2022 to file a response, if any, to the settlement. On October 18, 2022, formal complainant James Jackson filed a response objecting to the settlement.

The record in this case closed on October 18, 2022 when the objections to the settlement were due. For the reasons discussed further below, the settlement will be recommended for approval in its entirety without modification because it is supported by substantial evidence, consistent with applicable precedent and in the public interest.

III. FINDINGS OF FACT

These findings of facts were taken from the proposed findings of fact included with the Joint Petition, with some modifications. Not all of the proposed findings of fact, however, are adopted here.

1. Pennsylvania-American Water Company is a public utility that furnishes water and wastewater services to approximately 760,000 residential, commercial, industrial, and governmental customers in communities located in 37 of the 67 counties across Pennsylvania. *See PAWC St. 2 at 2-3.*

2. On April 29, 2022, the Company initiated this rate case by filing Supplement No. 35 to Tariff Water – Pa. P.U.C. No. 5 and Supplement No. 34 to Tariff Wastewater – Pa. P.U.C. No. 16 requesting Pennsylvania Public Utility Commission approval of an increase in its total annual operating revenues to become effective June 28, 2022.

3. Accompanying Water Tariff Supplement No. 35 and Wastewater Tariff Supplement No. 34, the Company filed supporting data for a historic test year (HTY) ended December 31, 2021, a future test year (FTY) ending December 31, 2022 and a fully projected future test year (FPFTY) ending December 31, 2023. PAWC's supporting information included the prepared direct testimony of 14 initial witnesses and the various exhibits sponsored by those witnesses.

4. PAWC increased its base rates effective January 28, 2021 with related base rate changes effective January 1, 2022 and January 1, 2023. In its initial filing in this case, the Company's proposed base rate increase equaled \$173.2 million or approximately 20.8% above the level of *pro forma* revenues for the FPFTY ending December 31, 2023. *See* PAWC St. 1 at 7-9; Pa. Pub. Util. Comm'n v. Pennsylvania-American Water Co., Docket No. R-2020-3019369 (Opinion and Order entered Feb. 25, 2021) (PAWC 2020 Rate Case Order) at 37.

5. In its initial filing, the Company also sought approval to implement a Revenue Stabilization Mechanism (RSM) and an uncollectible expense tracker and deferral mechanism. *See* PAWC St. 9 at 6-9; PAWC St. 10 at 76-89.

6. Additionally, PAWC proposed to rely upon 66 Pa.C.S. § 1311(c) to mitigate the increases on wastewater customers by recovering a portion of the Company's wastewater revenue requirement from its total water and wastewater customer base. *See* PAWC St. 1 at 18-21.

7. With respect to customer assistance programs, the Company proposed to expand the low-income Bill Discount Program (BDP) for both water and wastewater service by including multiple tiers of discounts for both water and wastewater service based on different levels of household income. *See* PAWC St. 1 at 13-14; PAWC St. 10 at 35-39.

8. PAWC witnesses testified that from the end of the FPFTY in the Company's last base rate case (December 31, 2021) through the end of the FPFTY in this case (December 31, 2023), the Company will have invested over \$1.1 billion in new or replacement

plant and equipment and the overwhelming portion of this investment is in source of supply, treatment, distribution and collection assets. Part of this investment is also being used to improve service to small and troubled water and wastewater systems that PAWC has acquired in furtherance of the Commission's policy that larger, viable water and wastewater companies acquire small, troubled systems and make the necessary improvement to assure safe and reliable service. *See* PAWC St. 1 at 7; PAWC St. 3 at 4-40.

9. Absent rate relief, PAWC projected that its water and wastewater operations would produce an overall return on invested capital of 5.52% and return on common equity of 6.54% for the FPFTY. *See* PAWC St. 1 at 8.

10. Under the terms of the settlement, PAWC will be entitled to charge water and wastewater base rates (Settlement Rates), effective for service rendered on and after January 28, 2023, designed to produce an annual increase in operating revenues of \$138 million. The agreed increase is in lieu of the Company's initially requested increase of \$173.2 million. As part of the settlement, PAWC also agreed to withdraw its proposed RSM and uncollectible expense deferral mechanism. *See* Joint Petition ¶¶ 12, 16, 18, 77.

11. The Joint Petitioners also agreed that PAWC shall be permitted to file the water and wastewater tariffs provided in Appendices A and B of the settlement. The principal substantive terms and conditions of the settlement are set forth in Paragraph Nos. 12 to 77 of the Joint Petition, which address the issues raised by the other parties in this proceeding.

Revenue Requirement, Alternative Ratemaking Mechanism, Distribution System Improvement Charge ("DSIC"), FPFTY Reporting Requirements

12. The Joint Petitioners agree that that the revenue level set forth in the settlement is reasonable and in the public interest as it is conditioned by other terms and conditions that ensure positive benefits for customers and the Company.

13. Under the settlement, the monthly bill of a typical residential water customer in the Company Rate Zone 1 (in which 99% of all water customers are served) will

increase from \$60.49 to \$69.24, or by 14.5%. By comparison, PAWC's requested rate relief would increase the average monthly bill for a Zone 1 residential water customer from \$60.49 to \$75.49 (24.8%). These bill impacts are calculated assuming the Company's system-wide average water usage of 3,212 gallons per month. *See Joint Petition, App. F; Notice of Proposed Water Rate Changes.*

14. The Company has 13 separate wastewater rate zones under its current rates. Under the Settlement Rates, six of the smaller wastewater rate zones are being consolidated into Rate Zone 1 and, as a result, under the Settlement Rates, the Company will have a total of eight wastewater rate zones, including the planned acquisition of the Foster Township wastewater system. *See Joint Petition ¶¶ 36-38.*

15. By way of illustration, for wastewater customers that were in Rate Zone 1 as it was constituted under the Company's current rates and will remain in Rate Zone 1 under the Settlement Rates, the monthly bill of a typical residential wastewater customer will increase from \$76.64 to \$106.65, or by 39.2%. *See Joint Petition, App. G.*

16. For residential, commercial, and municipal customers, the Company proposed adjustments to the actual HTY usage related to trends in declining use, weather normalization and the impact of the COVID-19 emergency on water consumption based on a detailed quantitative analysis. PAWC St. 10 at 39-64, 69-70; PAWC St. 10-R at 38-43; Tr. 590-592.

17. OCA witness Ralph D. Smith recommended that PAWC use actual instead of projected 2021 usage as the starting point to calculate revenue adjustments for declining residential water usage, asserting that the pandemic continues to impact water usage in 2022. OCA St. 1 at 15-22; OCA St. 1SR at 4-8; OCA Ex. LA-2, Sch. C-1.

18. Paragraph No. 13 of the Joint Petition embodies the Joint Petitioners' agreement that PAWC's proposed pro forma present rate revenue of \$831,593,862 reflecting the Company's adjustments for declining usage, weather normalization and the impact of the

COVID-19 emergency has been used to establish the Settlement Rates (only). It does not reflect the parties' consensus on the merits of the Company's adjustments.

19. PAWC proposed an RSM to improve the Company's ability to plan, manage, maintain, and invest in the facilities necessary to continue providing safe and reliable water and wastewater service at a reasonable cost to customers. PAWC St. 1 at 21-23; PAWC St. 1-R at 23-25; PAWC St. 10 at 76-89; PAWC St. 10-R at 44-55; PAWC St. 13-R at 111-117.

20. Witnesses for I&E, the OCA, the OSBA, Cleveland-Cliffs, and PAWLUG raised several objections to PAWC's proposed RSM. *See* I&E St. 3 at 16-23; I&E St. 3-SR at 16-28; OCA St. 1 at 53-61; OCA St. 1SR at 31-33; OCA St. 5 at 54-59; OCA St. 5SR at 8-9; OSBA St. 1 (Revised) at 40-44; OSBA St. 1-S at 7-8; Cleveland-Cliffs St. 1 at 5-9; Cleveland-Cliffs St. 1-SR at 2; PAWLUG St. 1 at 9-13; PAWLUG St. 1-S at 7-10.

21. PAWC submitted testimony responding to the RSM objections.

22. Under the settlement, the Company has agreed to withdraw its proposed RSM. Joint Petition ¶ 18.

23. In its Opinion and Order entered on September 15, 2021, at Docket No. P-2020-3022426, the Commission authorized PAWC to record COVID-19 related direct costs and savings as a regulatory asset, along with incremental uncollectible expense, and carrying charges on the deferred amounts. In this case, PAWC proposed to recover the deferred balance of its COVID-19 regulatory asset accumulated through July 31, 2022 (\$3,409,217), with an additional \$517,127 of carrying costs calculated on the deferred amounts through January 1, 2023. The Company also proposed to continue deferring incremental uncollectible accounts expense from and after August 1, 2022 under existing Commission authorization for possible recovery in PAWC's next base rate case. PAWC's witnesses testified that the Company's uncollectible expense has not returned to pre-pandemic levels. PAWC St. 1-R at 25-26; PAWC St. 9 at 10-15; PAWC St. 9-R at 2-7; PAWC Ex. JCS-1R; Tr. 549-550.

24. Witnesses for I&E and the OCA generally opposed utilizing a deferral mechanism for uncollectible expense after their proposed hard cut-off dates – December 31, 2022 (I&E) and December 31, 2023 (OCA). Mr. Smith also contended that customers should not fund carrying costs on the deferred balance of PAWC’s COVID-19 regulatory asset. I&E St. 1 at 43-48; I&E St. 1-SR at 38-39; OCA St. 1 at 43-45, 65; OCA St. 1SR at 33-35.

25. Under the settlement, deferral of incremental uncollectible expense above or below the amount embedded in PAWC’s base rates and carrying costs to the Company’s COVID-19 regulatory asset will cease on December 31, 2022. Joint Petition ¶ 30. This provision resolves all issues regarding PAWC’s COVID-19 regulatory asset and the Company has agreed to withdraw its proposed uncollectible expense tracker.

26. Appendix D to the settlement resolves all contested issues between I&E and PAWC pertaining to amortizations to recover certain costs of acquired systems claimed by the Company. *See* Joint Petition ¶ 17; I&E St. 3 at 10-12; I&E St. 3-SR at 4-14; PAWC St. 4 at 22-27; PAWC St. 4-R at 4-5; PAWC St. 7-R at 30-32.

27. The Company will not implement a DSIC surcharge during 2023 following the effective date of new base rates, and the first DSIC surcharge in 2024 will be filed with an effective date no earlier than April 1, 2024, based on DSIC eligible expenditures during January and February 2024. Joint Petition ¶¶ 19-20 & App. E (containing baseline of gross plant balances).

28. OCA witness Jerome D. Mierzwa recommended that the Company apply the DSIC to all acquired customers on the effective date of new rates established in this case. OCA St. 4 at 35-37; OCA St. 4SR at 15-17.

29. The Company responded to Mr. Mierzwa’s proposed application of the DSIC in the context of acquisitions. *See* PAWC St. 4-R at 9-11; Tr. 567-570.

30. Under the settlement, within 90 days after entry of a final order in this proceeding, PAWC will file an amendment to its wastewater Long Term Infrastructure Improvement Plan (LTIIIP) to include systems acquired under Section 1329 of the Public Utility Code and subsequently begin including those acquired systems in the Company's quarterly DSIC calculations. The Company also agreed to reevaluate the timeline for future water and wastewater LTIIIP revisions as part of future base rate filings based on the number of water and/or wastewater customers acquired since the prior base rate case and the period since the Company's last LTIIIP amendment. For systems not acquired under Section 1329, PAWC will apply the DSIC to those customers no later than in the first base rate case in which the system is included. In addition, as shown in Appendices A and B, water customers acquired from the Creekside Homeowners Association and the Scranton Lackawanna Industrial Building Company (SLIBCO), and wastewater customers acquired from Foster Township and Turbotville Borough will not be exempt from the Company's DSIC. *See* Joint Petition ¶¶ 21-23.

31. The Joint Petitioners acknowledge that the Commission has a generic docket at M-2012-2293611 addressing implementation of the Pennsylvania Supreme Court's decision regarding 66 Pa.C.S. § 1301.1 in McCloskey v. Pennsylvania Public Utility Commission, 697 C.D. 2018 and remand of the underlying Commission proceedings at P-2015-2508942 and R-2017-2624240. *See* OCA St. 2 at 4.

32. If required by the Commission in the generic proceeding, the Company will update its DSIC calculation and tariffs consistent with the final non-appealable Order in the generic proceeding. PAWC will not contest the parties' rights to raise any related issues with regard to its DSIC calculation and tariffs in a future proceeding. Joint Petition ¶ 24.

33. I&E proposed that the Company update the Summary of Detailed Plant Accounts in PAWC Exhibit 3-A, pp. 26, 90, 136, 177, 207, and 243, by April 1, 2023 and April 1, 2024 (collectively, the I&E Requested Updates), to include actual plant additions, retirements and reclassifications for 2022 and 2023, respectively. I&E St. 3 at 3-4.

34. The Company agreed to provide the I&E Requested Updates. PAWC St. 4-R at 6; Joint Petition ¶ 25.

Cost Allocation and Rate Design

35. PAWC submitted six separate cost-of-service studies (COSSs), one for its water operations and five for its wastewater operations. PAWC St. 12 at 3-4.

36. Ms. Heppenstall of Gannett Fleming, Inc. prepared PAWC's COSS for PAWC's water operations (Water COSS) using the base-extra capacity method for allocating costs to customer classifications. This method is described in the American Water Works Association's Water Rates Manual (AWWA Manual) and has been accepted by the Commission as the appropriate methodology for determining class costs of service. PAWC St. 12 at 6-9; PAWC Ex. 12-A (Revised) at 3-4.

37. For sanitary sewer system (SSS) operations, Ms. Heppenstall's COSSs were prepared using the functional cost allocation methodology described in "Financing and Charges for Wastewater Systems," Manual of Practice No. 27, published by the Water Environment Federation. That allocation methodology was modified to determine the incremental cost related to handling storm water for PAWC's combined sewer system (CSS) operations. PAWC St. 12 at 14-19, 21-26.

38. OCA witness Mierzwa disagreed with the system-wide demand factors used in the Company's Water COSS to functionalize costs between facilities used to meet average day demand and, respectively, maximum day and maximum hour demand. OCA St. 4 at 9-12; OCA St. 4SR at 2-3; OCA Ex. JDM-2.

39. OSBA witness Brian Kalcic, proposed to directly assign Arrearage Management Plan (AMP)-related bad debt and administrative expenses totaling \$2.3 million to the residential class in the Water COSS. OSBA St. 1 (Revised) at 4-6; OSBA St. 1S at 6-7; OSBA Sch. BK-1W.

40. Ms. Heppenstall accepted Mr. Kalcic's approach to AMP-related costs and provided testimony responding to Mr. Mierzwa's alternative extra capacity factors. *See* PAWC St. 12-R at 2-7; Tr. 610-611, 615.

41. Adjacent municipal and utility wastewater systems (York Bulk Customers) that have entered into Wastewater Treatment and Conveyance Agreements (Bulk Agreements) to treat their wastewater flows at the York treatment plant were not reflected as a separate customer class in the COSS the Company's York wastewater SSS operations (York COSS). Only retail customers that receive wastewater collection, conveyance and treatment service were identified as separate classes (residential and non-residential) for purposes of allocating the total system cost of service among customer classes. Compensation received under the Bulk Agreements was treated as incremental revenue and, as such, was used to reduce the cost of service of the retail customers that were reflected as separate classes in the York COSS. PAWC presented evidence supporting its position that reflecting bulk service revenues in this fashion is appropriate given the York Bulk Customers' competitive alternatives to service from PAWC. *See* PAWC St. 7-R at 2-23; PAWC St. 12-R at 7-9.

42. Under the settlement, the Company agreed to submit a wastewater COSS in its next base rate case that includes a separate customer class for the York Bulk Customers as recommended by witnesses for I&E and the OCA in this case. *See* Joint Petition ¶ 41; I&E St. 3 at 68-69; I&E St. 3-SR at 66; OCA St. 4 at 13-14; OCA St. 4SR at 19-20.

43. The settlement balances the interests of a wide array of customer classes in achieving a resolution of all issues among the Joint Petitioners pertaining to rate structure, rate design and the allocation of any revenue increase granted by the Commission.

44. The settlement rates allocate the increase in water and wastewater revenues among PAWC's customer rate classes consistent with well-accepted ratemaking principles. The revenue allocation proposed in the settlement is "black box," and does not reflect the position of any party or establish precedent for future proceedings.

45. Several parties disagreed with PAWC's proposal to mitigate the impact of revenue increases on wastewater customers by recovering \$72.9 million of the Company's wastewater revenue requirement from its total water and wastewater customer base pursuant to the Commission's authority under Section 1311(c).³ *See* I&E St. 3 at 27-32; OCA St. 4 at 14-22; OSBA St. 1 (Revised) at 7-15, 21-25; PAWLUG St. 1 at 2-8.

46. Under the Settlement Rates, only \$26.96 million of wastewater revenue requirement – not the \$72.9 million PAWC originally proposed – would be allocated to its water operation's cost of service. *See* Joint Petition ¶ 26; PAWC St. 1 at 18-21.

47. The reduced allocation of total wastewater revenue requirement to water operations pursuant to 66 Pa.C.S. § 1311(c) under the settlement is in the public interest.

48. PAWC proposed delaying the effective date for rate increases in the Royersford Borough (May 2023), Valley Township (November 2023), Foster Township (January 2025) and York (May 2025) systems (collectively, the Rate Freeze Systems) consistent with its contractual obligations under the asset purchase agreements (APAs) with those municipalities. PAWC committed to imputing revenue to the Rate Freeze Systems during the rate freeze periods set forth in the APAs – meaning that PAWC's shareholders would absorb any revenue shortfall associated with the difference between Commission-approved rates effective January 1, 2023 and the frozen rates. *See* PAWC St. 4 at 42-45; PAWC St. 4-R at 15; PAWC St. 7-R at 28-30; PAWC St. 7-RJ at 3-8.

49. I&E witness Cline opposed PAWC's proposal to increase rates on different dates in the Rate Freeze Systems for three reasons: (1) I&E averred that PAWC's contractual rate commitments were regulatorily inappropriate and not binding upon the Commission; (2) for all systems other than Foster, which was not acquired under Section 1329, PAWC did not submit a rate stabilization plan at the time those systems were acquired; and (3)

³ 66 Pa.C.S. § 1311(c) ("the commission, when setting base rates, after notice and an opportunity to be heard, may allocate a portion of the wastewater revenue requirement to the combined water and wastewater customer base if in the public interest.").

the resulting lowered rates that Rate Freeze customers would experience in the short-term could be followed by substantial increases once the delay period expires and additional base rate cases are filed. I&E St. 3 at 87-93.

50. Under the settlement, and consistent with the Company's initial filing, PAWC will delay the effective date for rate increases in the Rate Freeze Systems and will calculate the proof of revenue at the full cost of service, as if all customers in the Rate Freeze Systems were paying new rates without any delay to the effective date. Joint Petition ¶ 27.

51. The tariffs appended to the settlement reflect that rate increases for the Rate Freeze Systems will go into effect as soon as the rate freezes end. *See* Joint Petition, Apps. A, B.

52. PAWC owns and operates the Scranton, Kane, and McKeesport systems, which are CSSs that treat both stormwater and sanitary sewer flows. PAWC St. 1 at 16; I&E St. 3 at 74.

53. As part of its initial filing in this proceeding, the Company provided a separate stormwater and wastewater COSS, in aggregate, for the CSSs it owns. PAWC St. 1 at 16.

54. In accordance with a commitment in its last water and wastewater base rates proceeding, the Company also submitted a feasibility study of different methodologies that could theoretically be used to develop a separate stormwater fee. PAWC St. No. 1 at 40; PAWC St. No. 14; PAWC Ex. 14-A.

55. The Company determined not to propose a separate stormwater fee in this proceeding and provided testimony supporting its position. PAWC St. 1 at 40-44; PAWC St. No. 3 at 50-54.

56. I&E concluded that the Company's analysis was reasonable, but OCA witness Mierzwa testified that the Company could address several of the challenges. I&E St. No. 3 at 24-25; OCA St. 4 at 32-35.

57. I&E witness Cline and OCA witness Mierzwa recommended that the Company continue to provide separate stormwater and wastewater COSSs for its CSSs in future rate filings. *See* I&E St. 3 at 74-75; OCA St. 4 at 13, 35.

58. As part of the settlement, the Company agreed to continue to provide a separate stormwater and wastewater COSS. Joint Petition ¶ 14.

59. The Joint Petitioners agreed that this term of the settlement should not be construed to require the Company to provide a separate study for each CSS in the future; however, it also should not be construed to preclude any party from recommending that PAWC be required to provide a separate COSS for CSSs in any proceeding in the future. *Id.*

60. I&E witness Cline also recommended that PAWC create and maintain a separate tariff group for all current and future CSSs, based on his view that the differences between CSSs and SSSs is significant enough to group each system into separate tariff groups and maintain separate COSSs. I&E St. 3 at 26-27; I&E St. 3SR at 29-30.

61. PAWC witness Everett maintained that the Commission should permit the Company to move toward single tariff pricing and consolidation of its CSSs and SSSs instead of creating a separate tariff group. PAWC St. 1-R at 30.

62. Under the settlement, PAWC agreed to create a separate tariff group for current and future CSS customers in its next base rate filing. PAWC will propose consolidation of the rates of current and future CSS customers over time, separately from the consolidation of current and future SSS customers. Joint Petition ¶ 40.

PAWC's Customer Assistance Programs

63. OCA witness Roger D. Colton supported the Company's proposal to modify the BDP to utilize a three-tiered discount as well as the specific discount levels proposed by the Company. *See* OCA St. 5 at 28.

64. CAUSE-PA witness Harry S. Geller supported implementation of the Company's BDP proposal, to be followed by data collection, a third-party evaluation and potential future changes based on that evaluation. *See* CAUSE-PA St. 1 at 24, 29-32; CAUSE-PA St. 1-SR at 4-8.

65. The Company submitted testimony responding to Mr. Geller's data collection and evaluation proposals. *See* PAWC St. 10-R at 37-38.

66. Under the settlement, the Company will implement its proposed three-tiered BDP discount at the time of any increase in base rates approved in this proceeding. In addition, within one year of the final order in this proceeding, the Company will develop a process for tracking and reporting certain detailed information about BDP participants as well as information about the BDP application acceptance rate and potential barriers to enrollment. Data will be shared with Customer Assistance Advisory Group (CAAG) members on at least a biannual basis. Joint Petition ¶¶ 42-43.

67. Both Mr. Colton and Mr. Geller recommended additional outreach efforts related to the BDP and other customer assistance programs, including a particular emphasis on reaching customers with income at or below 50% of the Federal Poverty Level (FPL). OCA St. 5 at 32-33; OCA St. 5SR at 18-20; CAUSE-PA St. 1 at 38-41, CAUSE-PA St. 1-SR at 18-20.

68. Mr. Colton further recommended the Company: (1) make BDP participation portable within its service territory; and (2) pursue agreements with the Commonwealth and electric and natural gas utilities to facilitate cross enrollment in low-income programs. OCA St. 5 at 13-18; OCA St. 5SR at 15-18.

69. PAWC witness Dean addressed the multifaceted outreach already being performed by the Company. PAWC St. 16-R (Corrected Version) at 15-24.

70. Under the settlement, PAWC will develop and undertake targeted community outreach efforts to reach customers at or below 50% of FPL. At each meeting of the CAAG, PAWC will provide a summary of recent outreach and education efforts. Within a year of a final order in this proceeding, the Company will make BDP participation portable within its service territory. Finally, PAWC agreed to support a petition from CAUSE-PA, OCA, and/or CEO requesting the initiation of a generic proceeding to explore cross-program enrollment opportunities among utilities in the Commonwealth. Joint Petition ¶¶ 44, 54-56.

71. CAUSE-PA witness Geller recommended that PAWC suspend involuntary payment-related terminations for participants in the BDP, pending implementation of the Company's AMP. CAUSE-PA St. 1 at 32; CAUSE-PA St. 1-SR at 11-14.

72. OCA witness Colton recommended that PAWC place a dunning lock on accounts for pre-existing arrearages of all customers applying for the BDP and participating in the BDP after September 1, 2022, and to waive late payment charges for arrearage balances for customers participating in the BDP. OCA St. 5 at 42-46; OCA St. 5SR at 9-13.

73. The Company submitted testimony responding to the termination of service and collections activity proposals. *See* PAWC St. 16-R (Corrected Version) at 5-9.

74. Under the settlement, PAWC will place a dunning lock on the accounts of any applicant for PAWC's BDP and AMP, at the time their application is submitted, until a determination is made about the applicant's eligibility and enrollment. If enrolled in AMP, PAWC agrees that the account would be considered "current" so long as the household continues to make "full payments" as defined by the AMP Settlement at Docket No. P-2021-3028195. Joint Petition ¶ 46.

75. Witnesses for CAUSE-PA and CEO made recommendations concerning PAWC's Hardship Fund, including that: (1) community based-organizations (CBOs) be used to distribute Hardship Funds based on the percentage of low-income customers in each service territory or county; (2) the Hardship Fund program rules be amended to eliminate the good faith payment requirement and allow customers to apply for more than one grant per program year, up to the total annual maximum grant amount of \$500 for water and wastewater services; (3) additional customer outreach be performed to inform customers facing termination about the Hardship Fund; and (4) the Company's annual contribution to the Hardship Fund be increased. *See* CEO St. 1 at 6-7; CAUSE-PA St. 1 at 36-37; CAUSE-PA St. 1-SR at 15-17.

76. Under the settlement, PAWC has agreed to implement several measures to benefit Hardship Fund recipients, including: (1) working through its CAAG to review the procedures for referring customers to the Hardship Fund; (2) providing, at the first CAAG meeting after the final order in this proceeding, a written description of its Hardship Fund application and issuance processes; (3) increasing the Company's annual contribution to the Hardship Fund in the amount of \$150,000; (4) continuing to take any unspent Hardship Fund dollars included in a program year and adding those dollars to the total budget for the subsequent program year; (5) reducing the good faith payment requirement to, at most, \$50; and (6) ensuring customer grants equal their total account balance at the time of grant issuance, not to exceed \$500, and working with the CAAG to develop a solution to allow the issuance of multiple grants each year up to the \$500 maximum. In addition, the Company will continue to use Dollar Energy Fund (DEF) to administer the Hardship Fund and DEF will continue to employ local CBOs as "local screening agents" for intake assistance and eligibility determination. The Company will continue to use DEF and local CBOs for marketing and outreach for the Hardship Fund and BDP. Joint Petition ¶¶ 47-53.

77. In accordance with the recommendation of OCA witness Colton, under the settlement, PAWC will monitor and review appropriate billing data for purposes of determining, in its next base rate proceeding whether any offset to its low-income program cost recovery is necessary to avoid any double recovery the Company may receive through actual collections

after the implementation of its AMP. *See* Joint Petition ¶ 45; OCA St. 5 at 36-37; OCA St. 5SR at 22-25.

Service Quality and Customer Service Commitments

78. Rule 27.1(F) of the Company's water tariff provides that, where substantial public need exists and the public health and safety may be compromised by the absence of a public water supply in a portion of the Company's authorized service territory, the Company, subject to the Commission's prior approval, may install main extensions without a customer contribution payment. PAWC St. 3-R at 1-3.

79. OCA witness Terry L. Fought identified three main extensions that the OCA believed should be considered for construction under Rule 27.1(F): (1) along Old Steubenville Pike and Campbell Road, Robinson Township, Washington County; (2) along Donaldson Road, Robinson Township, Washington County; and (3) along Avella Route (Route 50) to serve Avella Area School District public schools in Cross Creek Township, Washington County. OCA St. 7 at 14-18.

80. Several Washington County residents and two Township managers testified in support of the main extensions. Tr. 145-46 (B. Moore), 155-60 (Comport), 242-243 (Mizenko), 269-73 (Casciato), 435-437, 439 (S. Moore); Moore Ex. 1; Brown Ex. 1; Duran Ex. 1; Duran Ex. 2; Tr. 368-71 (Simpson); Brown Ex. 1; Tr. 213-14 (McConn).

81. PAWC witness Aiton testified that the Company was considering the third main extension Mr. Fought identified, but that the Company did not believe that the first two qualified under Rule 27.1(F) since they did not appear to be entirely within the Company's authorized service territory. PAWC St. 3-R, p. 3.

82. Under the settlement, the Company agreed to construct the three main extensions recommended by OCA under and pursuant to Rule 27.1(F) of its water tariff, subject to specified terms and conditions. The Company intends to start construction of these main

extensions no later than the date it files its next base rate case, subject to receipt from the Commission of a certificate of public convenience to extend the Company's existing service territory and all necessary permits. Joint Petition ¶¶ 57-58.

83. OCA witness Fought, following his review of data provided by the Company regarding the repainting of its distribution storage tanks, recommended the Company have all storage tanks over 15-years old be inspected by an experienced tank inspection contractor who submits a report of recommendations, and that PAWC maintain the tanks in accordance with the recommendations in the inspection report. OCA St. 7 at 4; OCA St. 7SR at 15-16.

84. Mr. Aiton testified that new coating materials may alleviate the need to repaint tanks every 15 to 20 years, which was necessary, historically. PAWC St. 3-R at 11-12.

85. Under the settlement, the Company agreed that it will have all storage tanks over 15-years old inspected by an experienced tank inspection contractor. The contractor will prepare a report of recommendations and PAWC will maintain those tanks in accordance with the contractor's recommendations, where reasonable. Joint Petition ¶ 59.

86. OCA witness Fought recommended that the Company continue to exercise its isolation valves on a 5-year cycle, and that the Company make necessary changes to its data collection practices so that, in future base rate cases, PAWC can submit a searchable electronic log identifying each isolation valve, date exercised, date repaired, date replaced, and other pertinent notes. OCA St. 7 at 8.

87. PAWC witness Runzer testified that the Company maintains a record of all isolation valves in an electronic format in its Mapcall system. PAWC St. 2-R at 10-11.

88. Under the settlement, the Company agreed that it will continue to exercise all of its isolation valves on a 5-year cycle and inspect critical valves annually. In future rate cases, the Company will provide a searchable electronic log identifying each of its isolation

valves, the date last exercised, date last repaired, date last replaced, and any pertinent notes. Joint Petition ¶ 60.

89. OCA witness Fought recommended that the Company's public fire hydrants that cannot provide a minimum fire flow of 500 gallons per minute at 20 pounds per square inch be marked so that they will only be used for flushing and blow-offs, and that fire hydrants connected to less than 6-inch water mains should also be marked so that they will only be used for flushing and blow-offs unless PAWC can document they can provide the minimum fire flow. OCA St. 7 at 8-9; OCA St. 7-SR at 5-6.

90. Company witness Runzer detailed the Company's inspection and maintenance efforts related to its public fire hydrants. PAWC St. 2-R at 11-12.

91. Under the settlement, the Company agreed that it will mark any fire hydrants that cannot provide the minimum fire flow with the National Fire Protection Association (NFPA) approved color indicating flow level. Joint Petition ¶ 61.

92. OCA witness Fought asserted that the complaint log provided by the Company was not adequate to replace the pressure surveys required under 52 Pa. Code § 65.6 since the information did not indicate if customers were complaining about high or low pressures and did not include the final dispositions of the complaints. OCA St. 7 at 9-13; OCA St. 7SR at 1-3.

93. PAWC witness Runzer described how the Company utilizes its SCADA system and Hydraulic Model to continuously monitor pressure and flow in its systems. PAWC St. 2-R at 8-9.

94. Under the settlement, the Company agreed that, in future rate case filings, it will provide a listing of customer complaints and disputes in live Excel format that will: (1) include complaints or records of customer disputes received by PAWC, in addition to informal and formal complaints submitted to the Commission; (2) include service addresses and

be treated as confidential to protect that customer information; (3) categorize the disputes and complaints and, specifically, include pressure (high, low, or none) as a category, and (4) include the final disposition of each informal complaint submitted to the Commission. The Company also agreed to determine whether or not it is reasonably able to add data tracking capabilities to its systems in order to track the final disposition of disputes. If the Company is able to track the final disposition of disputes, it will also include that information in its complaint log. If not, it will report that determination and provide supporting analysis to the parties no later than 30 days prior to filing its next base rate case. Joint Petition ¶ 62.

95. OCA witness Barbara R. Alexander recommended that the Commission impose several customer service performance standards on PAWC as a condition of any rate increase, including: (1) percentage of calls answered within 30 seconds; (2) call center annual abandonment rate; (3) frequency of main breaks; (4) kept field appointments; (5) response time to complaints; (6) infraction and justified complaint rates; and (7) customer satisfaction. Ms. Alexander also offered several recommendations regarding call center performance, customer complaint activity and the Company's service termination procedures. *See* OCA St. 6 at 7-11, 12-18, 21-24, 36-37; OCA St. 6SR at 3-14, 15-20.

96. The Company submitted testimony responding to Ms. Alexander's customer service-related proposals. *See* PAWC St. 2-R at 7-8; PAWC St. 16-R (Corrected Version) at 25-30; PAWC St. 17-R at 5-12.

97. Under the settlement, PAWC is committing to progress reporting on achieving the Company's performance objectives described in detail in Paragraph 65 of the Joint Petition, call handling procedures for PAWC customers, amendments to proposed tariff language related to customer responsibility for prior unpaid debt, updates to termination procedures and the addition of bill messages, inserts and an Interactive Voice Response message explaining that no convenience fees are charged for payments made by phone to address the customer service concerns raised by Ms. Alexander. *See* Joint Petition ¶¶ 63-67.

98. CAUSE-PA witness Geller recommended that PAWC revise its tariffs to exempt low-income customers from security deposit requirements, and OCA witness Colton also proposed a waiver of security deposits for BDP customers. CAUSE-PA St. 1 at 42-44; CAUSE-PA St. 1-SR at 14-15; OCA St. 5 at 47.

99. Ms. Dean responded to Mr. Geller's proposed tariff changes and explained that the Company does not currently assess security deposits. PAWC St. 16-R (Corrected Version) at 11.

100. Under the settlement, PAWC will revise its tariffs to exempt customers confirmed to be eligible for the Company's BDP from security deposit requirements. Prior to assessing a security deposit for any residential applicant or customer, PAWC will: (1) advise households that no deposit will be assessed if they are income eligible for PAWC's BDP; and (2) advise customers about how to verify eligibility for the security deposit exemption and apply for the BDP. *See* Joint Petition ¶¶ 68-69.

Tariff Changes, Industrial Pre-Treatment Charges, Classification of Dempsey Uniform and Linen Supply

101. As part of the settlement, PAWC agreed to withdraw its proposed tariff changes opposed by the OCA that would: (1) modify the Company's current limitation of liability provisions (Water Tariff Rule 15.1 and Wastewater Tariff Section Q) and (2) permit the Company to charge flat rates to wastewater customers that are metered by non-Company water providers. *See* Joint Petition ¶ 70; PAWC St. 4 at 35-36, 38; PAWC St. 4-R at 12-13; OCA St. 4 at 29-30; OCA St. 4SR at 18-19; OCA St. 6 at 30-32; OCA St. 6SR at 14-15.

102. The other tariff changes originally proposed by the Company, which were not contested in this case, have been reflected in Appendices A and B to the Joint Petition. *See* Joint Petition ¶ 71.

103. The Company, in its initial filing, proposed revisions to Sections T and U of its wastewater tariff regarding its industrial pretreatment program (IPP), which included

changes in Section U modifying the IPP surcharges for customers serviced under Rate Zone 1 of the wastewater tariff and by the Coatesville treatment plant. *See Wastewater Tariff Supplement No. 34, Original Page 88.*

104. Victory Brewing opposed the Company's proposed increases to its IPP surcharges. Victory St. 1 at 5-13; Victory St. 1-SR at 2-10.

105. The Company provided responsive testimony in support of its proposed IPP surcharges. PAWC St. 18-R at 3-6; PAWC St. 19-R at 4-11.

106. Under the settlement, the Company agreed to reduce its proposed IPP surcharges and make other modifications to the IPP terms in its wastewater tariff and made further commitments related to updating its IPP surcharges in its next base rate case. Joint Petition ¶¶ 72-75.

107. PAWLUG witness Billie S. LaConte proposed that Dempsey Uniform Linen and Supply (Dempsey), which is currently classified as a commercial customer, should instead be classified as an industrial customer because it uses water primarily for processing functions as a supplier and distributor of uniforms and linens. PAWLUG St. 1 at 13-14; PAWLUG St. 1-S at 11.

108. In response to PAWLUG's proposal, the Company agreed to assess the classification of Dempsey but noted that it has treated laundries as commercial customers. PAWC St. 4-R at 13-15.

109. Under the settlement, PAWC agreed to the reclassification of the Dempsey customer account proposed by PAWLUG. Joint Petition ¶ 76.

IV. PUBLIC INPUT TESTIMONY

Public input hearings were held telephonically in this matter on six occasions. The dates were July 19, 2022, at 1:00 p.m. and 6:00 p.m., July 20, 2022, at 1:00 p.m. and 6:00 p.m., and July 21, 2022, at 1:00 p.m. and 6:00 p.m. A total of 52 people testified in the public input hearings. The testimonies generally included people opposed to the rate increases, people in favor of the rate increases, people showing their support for PAWC, and people requesting installation of public water at their residences.

Opposition to PAWC's Rate Increase

Nineteen out of the 52 witnesses who testified at the public hearings stated that they were opposed to the rate increase.

Pennsylvania State Senator Judith Schwank testified in opposition of the rate increase. Senator Schwank represents the 11th District of the Commonwealth of Pennsylvania. Senator Schwank voiced her disappointment that PAWC is asking for another rate increase just two years after their last increase, which happened in the height of the COVID-19 pandemic. Since the majority of the citizens of Pennsylvania have experienced economic turmoil in the wake of the pandemic and inflation, Senator Schwank feels certain that very few consumers can afford the rate increases requested by PAWC. This increase could mean an additional yearly cost of over \$400.00 per consumer, which could instead be used to make a car payment or pay an insurance premium. Senator Schwank argued that her constituents are being hit hard and have no option of choosing who provides their water and wastewater services. She noted that a neighboring municipal authority's bill for water and wastewater for three months of 2022 was \$160.00 combined whereas the bill for PAWC service is \$160.00 for water alone for one month. She stated that the rate increase will create an undue burden on households when they are already struggling. Tr. 67-74.

Pennsylvania State Senator Carolyn Comitta also testified in opposition of the rate increase. Senator Comitta represents the 19th district in Chester County. Senator Comitta's

testimony was consistent with Senator Schwank's testimony. She stated that the rate increase along with the rising costs of basic needs, creates an undue burden on Pennsylvania citizens. Senator Comitta also argued that the increases for water customers, ranging from 24% to 137%, and for wastewater customers reaching up to 82% are high. Finally, she noted that PAWC's need to update infrastructure must be balanced with its responsibility to provide affordable water service. Tr. 430-33.

Michelle Kircher is the Exeter Township supervisor and opposes the rate increase. She has received many calls from Exeter residents concerned about the rate increase. Many of the residents in Exeter Township are seniors and they are worried about how they will be able to afford their water and sewer bill. Her own water bill is unaffordable as it is. She has received a water and sewer bill upwards of \$180.00. She lives alone and has had the house checked for leaks. She called PAWC to discuss the high bill and they said someone would call her, but no one called. Tr. 395-99.

Judith Kelly is the president of the Montrose City Council and testified in opposition to the rate increase. She stated that this rate increase comes at a very difficult time for residents. She stated that costs are rising for everything including gas and other utilities. She asks that PAWC limit or postpone this price increase. Tr. 400-02.

Andrea Stapleford is an attorney and partner at Stapleford and Byham, LLC, who represents the City of Warren (City). She testified to voice the City's opposition to the rate increase. The City's position is that the proposed rate increase is not reasonable. The City feels that consideration should be given to the impact inflation has had on the ratepayer and stock market and not solely the utility company. She argued that it is unjust for citizens to absorb the cost of service and a lower rate of return on their investments while the company increases its rates to get a higher profit margin. The City also noted that the increase will further widen the gap between the ordinary citizen and the stockholders of the utility company. The City argued that the rate increase proposed exceeds the commonly accepted affordability criteria of 2% of the median household income for Warren residents. Tr. 373-76.

David Morganti says he analyzed PAWC's annual filings. He states that they reported a net income of almost two-hundred million dollars (\$200,000,000.00) for 2021. The two-hundred million dollars is approximately 29% of gross sales on water. Mr. Morganti feels that this a percentage that he does not think even Amazon is producing these days. He states that the wastewater side is reporting a net income of 38% of gross sales, which he states is very high. Mr. Morganti feels that PAWC could do a better job collecting bad debt and could postpone some less-necessary projects. He requests that the Commission do a thorough analysis of PAWC's spending to ensure that they are operating as efficiently as possible. Tr. 78-81.

Richard Adams is a customer of PAWC and spoke in opposition to the rate increase. He requested that there be a complete audit by an independent firm on what PAWC is doing to run its operations efficiently and save money. He noted that many customers only receive their retirement income and barely get by as it is. Tr. 387-94.

LeRoy Watters testified against the rate increase. Mr. Watters feels that PAWC does not do enough to combat the pollution in the watershed that it draws its water from, specifically the Stony Creek Watershed and the Schuylkill River Watershed. He stated that pollution of the water increases and PAWC raises rates, but they do nothing to slow the pollution. Mr. Watters also feels that it is wrong for PAWC to charge for sprinklers, fire safety and public safety. He believes that the sprinkler cost should be lowered so older buildings can be updated in order to lessen fire related deaths. Tr. 82-89.

James Jackson is opposed to the rate increase. He states that the costs are already out of hand, especially for flat rate, unmetered, wastewater. He has recently paid \$72.25 for sewer and water, while neighbors are paying \$73.33 for wastewater only. These people are seniors and disabled citizens, and Mr. Jackson states that these flat rates are discriminatory towards them and pricing them out of the community. Tr. 90-96.

Richard Hamilton is a PAWC wastewater customer. He feels his bill is too high already. He is required to pay a flat rate of \$73.33 for the wastewater. He is not at his property for three to six months of the year but still has to pay the flat rate. This had gone up from \$7.00

a month in 2013. He feels that there should be a meter on wastewater and the flat rate is unfair. He is paying nearly seven times more than some people in neighboring areas for his wastewater. Tr. 483-88.

Ann Shaeffer is a PAWC customer. Since PAWC purchased the water supply in her area, her water bills have tripled. She states that the water quality has suffered since the purchase. She has had to replace her water heater three times in the past twenty-two (22) years. Her water bill had gone up substantially in the three months prior to her testimony from \$174 to \$267 to \$270 and then to \$363 each month. She had a plumber check for leaks, but no issues were found. Ms. Shaeffer also feels that there should be a separate meter for wastewater because not all water that is used goes through the sewer. Tr. 470-473.

Alexander Gonzalez is a building inspector for the Borough of Pottstown. He opposes the rate increase. He moved from an area not served by PAWC to an area served by PAWC. In the previous area, from March, 2021 to March, 2022, his bills stated he used 60,000 gallons of water. In his new home, he received a bill stating that he used 10,400 gallons in two months. He paid a total of \$923.15 for the 60,000 gallons compared to already paying \$450.00 for the 10,400 gallons. His last meter reading at the time was from June 9 to July 13, 2022. He was out of town for 13 days and his bill still went up \$9.00. He states his water quality is not as good either, as the PAWC water has caused their skin to dry out. Tr. 461-68.

Sandra Ovsak is opposed to the rate increase. She states that she feels that PAWC needs to improve efficiency and improve water quality. She states that her water quality is terrible and causes slime to grow on her faucets, toilet and water dispenser on her refrigerator. Tr. 97-105.

Mark Ovsak is the son of Sandra Ovsak and his last employer was PAWC. He is also opposed to the rate increase. He says that PAWC is replacing water mains but are not replacing older mains that are in need of replacement. He states that the local municipal authority, Lewistown Bureau Authority, charges less than PAWC and is making similar improvements as PAWC. Tr. 361-67.

Dorothy Reilly also states that her water quality is bad. She needs to purchase bottled water for drinking, cooking and rinsing her hair. She states that neighboring Mount Penn residents pay 53% less for water and 73% less for wastewater services. Tr. 216-23.

Erwin Schankereli feels that the water from PAWC in his area is not fit for anyone to drink. He is on a fixed income and needs to spend \$150.00 per month or more on bottled water. He said his water smells like bleach, and he does not even like washing his car with the water because it leaves a residue. Tr. 224-33.

Stephen Sutter states that his water quality is also poor. He states that the rate hike is unaffordable. The costs of everything are going up but income is not. He also states that the flat rate sewer bills are unfair. Tr. 282-92.

Ansel Gere testified in opposition to the rate increase. He states that PAWC was allowed to shift some costs of the wastewater services to water customers in 2012. Therefore, he is paying wastewater fees to both PAWC and the Township. He feels that PAWC's ability to cost-shift should not be allowed anymore. Tr. 479-82.

Sabatino Montatesti states that he heard good things about PAWC and how they support their communities through other testimony. However, he feels the rate increase is excessive and questioned the effect the cost of all these things has on the ratepayers. Tr. 246-47.

In Support of Pennsylvania-American Water Company

Twenty-one of the 52 people who testified at the public input hearings testified in support of PAWC. Of those 21 people, 17 people did not say whether they support the rate increase. Four of the 21 people stated that they were in favor of the rate increase.

Bernard McGurl is the Executive Director of the Lackawanna River Conservation Association in Scranton, PA. He is also a customer of PAWC. The sewage system in Scranton is currently a combined storm water and wastewater system, which causes overflows and

pollution. While he agrees that rate increases can be a hardship, he noted that PAWC has been working diligently to make improvements since acquiring the wastewater system in Scranton. He said PAWC is also making improvements to the water delivery system and those improvements are visible, extensive and ongoing. While he understands that ratepayers can be affected by these increases, he asks the Commission to determine what is a fair consideration for the possible increase. Tr. 107-11.

Ronald Landman is the Township Supervisor for North Union Township in Fayette County. He called into the public input hearing to testify on behalf of PAWC. He has been working with PAWC and its restoration of its infrastructure is good compared to other companies. He noted that PAWC fully restores the roads after it does work on its system. Tr. 116-17.

John Maday testified for the Riverfront Parks Committee of Wilke-Barre, PA (Riverfront Parks Committee). The committee has had a great relationship and partnership with PAWC. The Riverfront Parks Committee educates visitors about the environment and holds community events. PAWC is a sponsor and participates in the programs. Tr. 193-96.

Will Thomeier is the Director of Economic and Tourism Development for the Washington County Chamber of Commerce and Tourism Promotion Agency. PAWC and its staff are respected partners in almost every successful economic development project in Washington County. He stated that PAWC has invested tens of millions of dollars in Washington County by upgrading aging and expanding infrastructure across the county. Mr. Thomeier also noted that PAWC supplies grants to firefighters, emergency responders and food banks. Tr. 197-201.

Renee Conte is a case manager/volunteer coordinator at Rainbow Kitchen Community Services (Rainbow Kitchen). Rainbow Kitchen has partnered with PAWC for many years. Ms. Conte stated that PAWC has done good for the community by participating in Rainbow Kitchen's annual fundraiser by providing staff, information, free water, resources and exhibits to participants. She noted that PAWC employees also volunteer at Rainbow Kitchen

where they have various feeding programs such as a soup kitchen and food pantry that helps over 500 households monthly. While her testimony was supportive of PAWC and appreciative of their partnership, Ms. Conte does state that a rate increase would impact the people Rainbow Kitchen serves who may struggle to keep water turned on in their home. Tr. 201-04

Shawn Fabian testified on behalf of the Yellow Breaches Water Shed Association. PAWC is a corporate member of the Association. Mr. Fabian testified that PAWC has provided volunteer and financial support for many events, festivals, and spring cleanups for a number of years. He said PAWC pays a \$100.00 corporate membership fee and generally provides \$1,000 or less to offset the costs of feeding volunteers. Tr. 205-09.

Joseph Casilli is a utility contractor and a customer of PAWC. As a utility contractor, Mr. Casilli works for various local utility companies. He stated some utilities' infrastructure is almost failing while PAWC's investment in its infrastructure is showing. He also states that PAWC is providing jobs for local people by upgrading their system. Tr. 210-12.

Louis Otto is the Township Supervisor for German Township in Fayette County. He states that PAWC is a great community partner. Mr. Otto testified that there are many areas in his township that would love to have public water but the authorities there will not extend the line. He said while he has had issues with the other companies, he has not had any with PAWC. Mr. Otto feels that if a rate increase is needed for more water service in the region, then that is the unfortunate outcome. He would like PAWC to expand its system further in his township. Tr. 234-40.

Flora Posteraro is a PAWC customer who feels that PAWC has been a good community partner that has highlighted ways to save the environment. She states that PAWC has been diligent in replacing old pipes and has made big investments to improve water treatment plants. Tr. 276-79.

Ed Yorke is a Councilman in Canonsburg and a customer of PAWC. Councilman Yorke testified that PAWC has been installing new water lines throughout Canonsburg. He said

the installation process has been an inconvenience, but everything is going well with the line replacements, and the experience has all been positive. Tr. 320-23.

James Kell is the CEO and Owner of YGS Group. He is a customer of PAWC and so is the business. YGS Group provides printing and marketing services to PAWC. YGS Group recently had to raise the rates that they charge on their services to PAWC due to increases in their costs for technology, materials and labor. Mr. Kell stated that PAWC is in good standing with his business. Tr. 324-25.

John Rathfon is the vice president of land development for Metropolitan Company which owns and operates 3,500 apartments. Of the 3,500 apartments, 1,000 are serviced by PAWC and 1,000 more units are being built. Mr. Rathfon states that PAWC is responsive and the easiest water utility to deal with. He noted that due to a mistake by Metropolitan Company, many people would have been displaced from their home, but PAWC was able at the last minute to help those customers. Mr. Rathfon also testified that PAWC helped Metropolitan Company with program implementation that allowed the owner of 3,500 apartments and counting to offset the cost of installation by providing it rebates. Tr. 337-40.

Christopher Christman is the township manager for the Township of Derry. He testified regarding the interactions PAWC has with Derry Township in his capacity as township manager. He described how PAWC was very responsive to an emergency repair last summer. There was a water main leak that was causing severe damage to public and private property. He said in that instance, PAWC made a timely repair to reduce the loss of personal property. Mr., Christman noted that PAWC was able to update its infrastructure to reduce future incidents. Mr. Christman stated that he is not testifying in favor or against the rate increase but can see that higher revenues could help PAWC continue their responsibilities. Tr. 342-45.

Jody Robertson is the director of communications for Dollar Energy Fund. Dollar Energy Fund provides utility assistance and other services for low-income and limited-income families who struggle with their utility bills. PAWC is one of forty utility companies that Dollar Energy Fund partners with across 14 states. Low-income households can turn to Dollar Energy

Fund when they need assistance with water and wastewater bills from PAWC, which is approved without any mandate from the Commission but on a voluntary partnership through the H2O program. Ms. Robertson states that by supporting a low-income assistance program, PAWC helps control cost for ratepayers by reducing uncollectible accounts. She noted that PAWC has provided safeguards for its most vulnerable customers. She testified that PAWC covers the administrative costs of running the H2O program. Nevertheless, she expressed that while Dollar Energy Fund is proud of the partnership it has formed with PAWC, it does not support nor oppose the rate increase. Tr. 350-56.

Todd Kowalski testified on behalf of Laura Manion, the CEO of Chester County Chamber of Business (Chamber). Ms. Manion was unable to testify. PAWC is a corporate citizen of the Chamber and pays a fee to be a member. Mr. Kowalski stated that the Chamber appreciates PAWC's infrastructure investments in the Chester County region. He noted that PAWC provided high quality and reliable service and jobs. He testified that PAWC invested in the Commonwealth's infrastructure to improve water and wastewater treatments and that PAWC is also a charitable community partner. Mr. Kowalski stated that the Chamber has not heard concerns regarding the rate increase but has heard concerns about possible workforce suspensions. He also recognized that PAWC contributes to the formation of communities that attract and retain the workforce. Tr. 358-60.

John Papalia is the Director of the Chamber of Operations for the Warren County Chamber of Business and Industry (Chamber of Business and Industry). PAWC pays to be a member of the Chamber of Business and Industry and requested that Mr. Papalia testify. Mr. Papalia feels that PAWC has been a key partner in the community for many years and has been a great community partner. Mr. Papalia is not a customer of PAWC and would not personally be affected by the rate increase. Tr. 403-06.

Bruce Reddock is the director of economic development for the Scranton Lackawanna Industrial Building Company. SLIBCO is a not-for-profit economic development corporation that develops land and facilities to help create job opportunities in the community. Mr. Reddock testified that PAWC has been a strong economic partner with SLIBCO and the

community. Mr. Reddock states that PAWC's partnership with SLIBCO has resulted in miles of water infrastructure which in turn, resulted in hundreds of businesses served and tens of thousands of jobs created. Tr. 474-478.

Katherine Hetherington-Cunfer is the Government Relations Director for Greater Reading Chamber Alliance (GRCA) and testified in favor of the rate increase. GRCA represents over 800 small, medium and large businesses in Berks County. Ms. Hetherington-Cunfer is not a customer of PAWC herself, but she was asked by members of the GRCA to testify. PAWC is a chamber member and pays a fee to be a member. Ms. Hetherington-Cunfer stated that there are unseen costs between businesses in Pennsylvania. She explained that the pandemic, inflation and rising costs are affecting all businesses. She stated that the cost of regulatory compliance has jumped in the last ten years. She testified that PAWC has to pay millions of dollars in fees to the safe drinking water fund. She also expressed that changes and upgrades are needed in order to supply clean water. She noted that rate increases can be a burden on ratepayers and businesses, but the rate increase is associated with the regulation responsibilities. Tr. 326-31.

John Augustine III is the President and CEO of Penn's Northeast and testified in favor of the rate increase. The goal of Penn's Northeast is to attract quality employers of Northeast Pennsylvania. PAWC is a paying member of Penn's Northeast and pays a fee of approximately \$1,700 to Penn's Northeast and testifying is something Penn's Northeast does on behalf of their members. Mr. Augustine stated that there is rising costs everywhere, especially for an industry that is heavily regulated. He explained that without increased investment, the utilities cannot upgrade, and the State cannot remain competitive. Mr. Augustine noted that PAWC is a strong community partner and provides an environmental grant program and water scholarships among other things. Tr. 332-36.

Justin Bruce is the executive vice president for Bruce and Merrilees Electric Company. Mr. Bruce is a customer and a contractor for PAWC and is therefore paid by PAWC. Mr. Bruce testified in support of the rate increase. He feels that PAWC has made great investment into the water infrastructure throughout Pennsylvania. He said PAWC also invests in

the communities through donations and participation in charitable and nonprofit events and fundraisers. He stated that PAWC is a key to attracting businesses to the state. Tr. 377-81.

Harry Young is the executive director for Keystone Business Alliance, Southcentral Pennsylvania's LGBT Chamber of Commerce (LGBT Chamber of Commerce). Mr. Young testified in support of the rate increase. He stated that PAWC's investment in the communities makes the work that the LGBT Chamber of Commerce does possible. He testified that PAWC's partnerships enable countless not-for-profit entities to fulfill the work they do in supporting their communities. He also expressed that PAWC has a water supplier diversity program that shows a commitment to promoting diversity, equity and inclusion and is an important partner to diverse businesses. Tr. 458-60.

Request Public Water or Extension of Water Lines – Steubenville Pike

Eleven people participated in the public input hearing in order to request that PAWC run water lines to their property and the surrounding area.

Chrystal Brown is the township manager for Robinson Township, Washington County, PA. Ms. Brown testified that she has received a petition from residents requesting the expansion of public water in Robinson Township. She stated that the residents on Old Steubenville Pike are very concerned about their existing water quality. The residents have continuously stated their desire for public water. She testified that there is also a popular food service business on the Pike without public water. A Robinson Township ordinance mandates that any structure within 200 feet of public water must connect to the public water. Tr. 346-50.

Bonnie Moore owns several properties on Steubenville Pike in Robinson Township, Washington County. She testified that her properties are in need of water. She said that because her first property gets its water from a spring, the water is unfiltered, unprocessed and was affected by a drilling blowout and therefore, is contaminated. She further claimed that the water also stops running in droughts. She testified that her second property gets water from a well that draws the water from Raccoon Creek which may have also been affected by the drilling

blowout and was polluted by a sulfur runoff from a coal plant. She said that property also has an unmetered sewer, and they must pay a set amount because there is no metered water. Her third property, she explained is a farm which has spring water. She testified that the farm has many animals and water stops flowing to them each year in droughts. Ms. Moore stated that they do not cook or consume the water in their home and need to purchase water. She said the properties are only 220 feet from the public water lines. Tr. 143-51.

James Comport live on Campbell Road in Bulger, PA near Steubenville Pike. He testified that he would like to have water lines run to his home. He stated he has an unfiltered spring that runs low during drought. He also explained that he gets sediment in his water and regularly has issues with the water heaters and fixtures. Mr. Comport stated that his family has been using bottled water in their home. Tr. 154-60.

Richard Moore also testified that he would like PAWC to run water to his land. Mr. Moore is a farmer who lives on Old Steubenville Pike in Bulger, PA and the water is supplied by a spring. He testified that he has lived and worked on the farm his entire life and his family has always had issues with the water from the spring. He stated that he regularly has problems with the spring running dry which means he then does not have water for personal use or for the livestock on the farm. He stated that the wells in the area were contaminated years ago with sulfur. Mr. Moore feels that public water would greatly help the people in the area. Tr. 184-92.

Brent Mizenko has one building with two addresses on Old Steubenville Pike. The building contains a home and a business called Mandy's Candies. Mr. Mizenko stated that he currently has well water with very little water pressure. He explained that he tests his water yearly and it is clean, but he is concerned for the future due to fracking. He testified that he would like PAWC to expand the water line to his property. Tr. 242-44.

Daniel Casciato lives on Steubenville Pike and would like PAWC to provide water. He currently has well water and the water has sediment in it. He stated that he has attempted to filter the water, but it still has sediment. He feels that the amount of money he

would need to pay PAWC would not be far from his current costs of filters, bottled water and his fixed sewer rate. He feels that there is a lot of land in the area that can be developed with public water. Tr. 267-75.

Bill Simpson testified to request water service at his home. He resides in Robinson Township. He stated that the water around there is bad from the strip mines, and it cannot be used. He said he runs out of water and is afraid to drink the water. He noted that the water has been bad since before he moved there in 1982. Mr. Simpson said that a water line was installed not too far from his home and PAWC never asked him if he wanted water. Tr. 368-72.

Shauna Moore is a farmer on Old Steubenville Pike in Bulger, PA. Ms. Moore called into the hearing to testify about the high cost of her unmetered wastewater and the terrible quality of her current water. She requests that PAWC extend the water service to her property. She believed that the current water is causing health issues for her and her husband. She stated that they cannot even use their water on the garden or house plants. Ms. Moore testified that they spend a couple hundred dollars a month on bottled water. She said there is public water just down the road from her farm and she does not understand why it was not extended to her part of the road. Tr. 434-43.

Stephen Duran has two farms and two residences on his properties on Campbell Road in Bulger, PA. He testified to request a waterline extension on Campbell Road and Old Steubenville Pike. He stated that there was an incident where gas drilling fluids were released into the watershed at the fault of the gas company which contaminated the water. He explained that he must purchase water to consume. Mr. Duran feels that his farm and similar farms on Campbell Road would use enough water to greatly benefit PAWC. He stated that PAWC already serves his next-door neighbor and there is already a large bore to allow for extension of the water line. Tr. 444-57.

Rachel Warner-Welsh is the township manager of Cross Creek Township, Washington County, PA. Cross Creek Township is a rural community with a population of approximately 1,500 and a PAWC customer for public water and fire hydrants. Ms. Warner-

Welsh stated that Cross Creek Township would like a Route 50 water line extension. She testified that there is an emerging public health issue with Avella Area School District. She said her school is the last public school in Washington County without public water. Ms. Warner-Welsh noted that they have tried to treat the water at the school, but the issues reoccur. She stated that they have been having a difficult time raising funding for a water line extension. She further testified that while the school has more than 650 students and staff, there are also more than 50 families and small businesses on Route 50 that are in need of clean and reliable water. Tr. 382-86.

Corey McConn testified to request that PAWC extend water service to Avella School District in Washington County, PA. He stated that there is a need for safe and reliable water in the area, not just the school. Mr. McConn says that he has been working with other community leaders and representatives from PAWC to seek funding for a project to extend water to the school district. Tr. 214.

Miscellaneous Testimony

Michael Stair testified that he feels the rate increases should be distributed differently. He feels that businesses should pay a 59% increase, residents should pay a 37% increase and wastewater customers should pay a 4% increase. He also wondered if Pennsylvania or the federal government could provide some sort of incentives to PAWC to maintain rates instead of increasing. Tr. 113-115.

V. SETTLEMENT

The terms of the settlement are copied and pasted below, verbatim, from the Joint Petition with the original paragraph numbering maintained.

A. Revenue Requirement

12. PAWC will be permitted to charge, effective for service rendered on and after January 28, 2023, the rates for water

service set forth in the proposed Water Tariff provided in Appendix A to this [s]ettlement and the rates for wastewater service set forth in the proposed Wastewater Tariff provided in Appendix B (hereafter, the “Settlement Rates”). The Settlement Rates are designed to produce additional annual water and wastewater operating revenue of \$138 million, as shown on the proof of revenues set forth in Appendix C to the Joint Petition.

13. The Joint Petitioners agree that the Company’s proposed pro forma present rate revenue level of \$831,593,862 has been used to establish the Settlement Rates.

14. In future rate filings, PAWC will submit one or more separate stormwater and wastewater cost-of-service studies (“COSSs”) for each of its combined sewer systems (“CSSs”). The Company is not required to provide a separate study for each combined stormwater system. However, the Joint Petitioners agree that this provision does not preclude any party from recommending that PAWC be required to provide a separate cost-of-service study for CSSs in any proceeding in the future.

15. The Joint Petitioners acknowledge and agree that the depreciation rates set forth in PAWC Exhibit Nos. 11-C, 11-F, 11-I, 11-K, 11-M, and 11-P are appropriate for ratemaking purposes in this case and that the Company will use such depreciation rates to calculate the depreciation expense it records on its regulated books of account.

16. The Joint Petitioners agree that deferral of carrying costs to the Company’s COVID-19 regulatory asset will cease on December 31, 2022. Deferral of incremental savings and costs, other than uncollectible expense, related to COVID-19 ceased on February 1, 2022. Deferral of incremental uncollectible expense will be limited to costs incurred by PAWC through December 31, 2022 and the Company agrees to withdraw its proposed uncollectible expense tracker. The Company will continue to offset any savings realized during the pandemic against its recorded COVID-19 deferral balance.

17. The Joint Petitioners agree that the Settlement Rates reflect the amortizations set forth in Appendix D to the Joint Petition.

B. Alternative Ratemaking Mechanisms

18. PAWC agrees to withdraw its proposed Revenue Stabilization Mechanism. This withdrawal is made without prejudice to propose this alternative ratemaking mechanism in future proceedings.

C. Distribution System Improvement Charge (“DSIC”)

19. The Company will not implement a DSIC surcharge during 2023 following the effective date of new base rates, and the first DSIC surcharge in 2024 will be filed with an effective date no earlier than April 1, 2024 based on DSIC eligible expenditures during January and February 2024. The baseline of gross plant balances that must be achieved to restart charges under the Company’s DSIC rider are reflected in Appendix E.

20. The Joint Petitioners agree and hereby stipulate that the Company shall use the rate of return on equity (“ROE”) as calculated for water utilities and published in the “Bureau of Technical Utilities Services Report on the Quarterly Earnings of Jurisdictional Utilities” for the most recent quarter for purposes of calculating the ROE component of the Company’s DSIC.

21. Within 90 days after entry of a final order in this proceeding, PAWC will file an amendment to its wastewater Long Term Infrastructure Improvement Plan (“LTIIIP”) to include systems acquired under Section 1329 of the Public Utility Code,⁴ which does not re-prioritize other existing commitments in other service areas. The Company agrees to reevaluate the timeline for future water and wastewater LTIIIP revisions as part of future base rate filings based on the number of water and/or wastewater customers acquired since the prior base rate case and the period since the Company’s last LTIIIP amendment. No later than the next quarterly DSIC filing following the Commission’s approval of the amended LTIIIP, as may be modified within the discretion of the Commission, PAWC will file a compliance tariff supplement that incorporates the acquired systems into PAWC’s DSIC tariff, including all customer safeguards applicable thereto.

⁴ 66 Pa.C.S. § 1329. Hereafter all references to a “Section” are to the Pennsylvania Public Utility Code (“Code”), 66 Pa.C.S. §§ 101 *et seq.*, unless indicated otherwise.

22. For systems not acquired under Section 1329, PAWC will apply the DSIC to those customers no later than in the first base rate case in which the system is included.

23. As shown in Appendices A and B, water customers acquired from the Creekside Homeowners Association and SLIBCO and wastewater customers acquired from Foster Township (“Foster”) and Turbotville Borough are not exempt from the Company’s DSIC.

24. The Joint Petitioners acknowledge that the Commission has a generic docket at M-2012-2293611 addressing implementation of the Pennsylvania Supreme Court’s decision regarding 66 Pa. C.S. § 1301.1 in *McCloskey v. Pennsylvania Public Utility Commission*, 697 C.D. 2018 and remand of the underlying Commission proceedings at P-2015-2508942, et al. and R-2017-2624240. If required by the Commission in the generic proceeding, the Company will update its DSIC calculation and tariffs consistent with the final non-appealable Order in the generic proceeding. PAWC will not contest the parties’ rights to raise any related issues with regard to its DSIC calculation and tariffs in a future proceeding.

D. FPFTY Reporting Requirements

25. PAWC will file updates to PAWC Exhibit 3-A, pp. 26, 90, 136, 177, 207, and 243 at the above-captioned dockets no later than April 1, 2023. PAWC’s updates will include actual plant additions and retirements for the twelve months ending December 31, 2022. In addition, PAWC will also provide the actual plant additions and retirements, by account, for the twelve months ending December 31, 2023, no later than April 1, 2024.

E. Cost Allocation and Rate Design

(1) Combined Water and Wastewater Revenue Requirement

26. Pursuant to Section 1311(c) of the Public Utility Code and the Commission’s Implementation Order in Docket No. R-2013-2355276, under the Settlement Rates a portion of the wastewater revenue requirement totaling \$26,961,881 is being allocated to water customers, as shown in Appendix C (Water Operations). The Settlement Rates reflect the allocation of the annual revenue increase among PAWC’s water and wastewater operations, as set forth in Table 1 below. The revenue allocation

proposed in this [s]ettlement is “black box” and does not reflect the position of any party or establish precedent for future proceedings.

Table 1

	<u>Section 1311(c) Wastewater Allocation</u>	<u>Revenue Increase</u>	<u>Percent Increase</u>
Total Company	\$0	\$138,000,002	16.6%
Water Operations	\$26,961,881	\$83,370,539	11.6%
Sanitary Sewer System General Operations	\$(3,598,461)	\$17,750,272	39.9%
Royersford WW Operations	\$(1,328,921)	\$617,700	75.2%
Upper Pottsgrove WW Operations	\$(496,449)	\$851,028	63.1%
York WW Operations	\$(12,512,409)	\$6,993,404	37.3%
CSS Operations	\$(9,025,641)	\$28,417,059	56.3%
Total WW Operations	\$(26,961,881)	\$54,629,463	47.0%

(2) Delayed Effective Dates for Rate Increases to Customers in the Royersford Borough, Valley Township, Foster Township and York Systems (“Rate Freeze Systems”)

27. Consistent with the Company’s initial filing, PAWC will calculate the proof of revenue at the full cost of service, as if all customers in the Rate Freeze Systems were paying new rates without any delay to the effective date. The Joint Petitioners agree that all rights are reserved with respect to the issue of delayed effective dates of rates in subsequent proceedings. This term should not be construed to limit parties’ ability to make recommendations in any future PAWC base rate case to bring customers in the Rate Freeze Systems to an appropriate cost of service as though they have paid the tariffed rates without any - delay.

(3) Water Rate Design

28. The Settlement Rates set forth in Appendix A reflect the Joint Petitioners' agreement regarding water rate structure, rate design and the distribution of the increase in revenues to each rate class in this case.^[5]

29. Under the Settlement Rates, the Rate Zone 1 service charge for residential, customers with 5/8-inch, 3/4-inch, 1-inch and 1½-inch meters will remain \$17.50 per month in lieu of the \$20.00 monthly service charges for those meter sizes proposed by the Company. The Rate Zone 1 service charges for commercial and municipal customers with 5/8-inch meters will be \$18.50 per month, and the same percentage increase will be applied for all other meter sizes. The 5/8-inch service charge for the Industrial class in Rate Zone 1 under the Settlement Rates will be \$28.00. All other meter sizes will be increased by approximately the same percentage.

30. The metered rates for all classes of customers in Rate Zone 2 (Winola) and Rate Zone 3 (McEwensville) have been consolidated with Rate Zone 1 under the Settlement Rates.

31. The Company currently has a separate Rate Zone 4 for its Turbotville operations, a separate Rate Zone 5 for its Steelton operations, a separate Rate Zone 6 for its Valley operations, and a separate Rate Zone 7 for its SLIBCO operations. Under the [s]ettlement, the service charges for the residential, commercial and municipal customer classes in Rate Zones 4, 5 and 6 are equalized with Rate Zone 1. Usage allowances for customers in Rate Zones 5 and 6 are eliminated. Rates for customers in Rate Zone 7 are unchanged.

32. Appendix F contains billing comparisons showing the impact on the bill of an average customer in each major general service rate class if the Settlement Rates are approved.

33. With respect to any system for which the [s]ettlement rate design provides for continuation of minimum usage allowances, PAWC will propose to eliminate the allowance in its next base rate case or, where warranted for gradualism, PAWC will propose to eliminate the allowance over its next two base rate cases.

⁵ While every effort has been made to ensure that rate design descriptions are accurate, if any inconsistency exists between such descriptions and the rates set forth in Appendix A, the latter shall take precedence. [This is footnote No. 2 in the original]

(4) Wastewater Rate Design

34. The Settlement Rates set forth in Appendix B reflect the Joint Petitioners' agreement regarding wastewater rate structure, rate design and the distribution of the increase in revenues to each rate class in this case.⁶

35. Under the Settlement Rates, Rate Zone 1 service charge for residential customers will be \$14.30 per month. The Rate Zone 1 service charge for non-residential customers will be \$35.00 per month.

36. The Sanitary Sewer System ("SSS") rates for the following rate zones have been consolidated with Rate Zone 1: Rate Zone 5 (Franklin), Rate Zone 7 (Sadsbury), Rate Zone 8 (Turbotville), Rate Zone 9 (Exeter), and Rate Zone 13 (Upper Pottsgrove).

37. The Company currently has additional separate SSS rate zones as follows: Rate Zone 2 (New Cumberland), Rate Zone 10 (Royersford), Rate Zone 11 (Valley), Rate Zone 12 (York), and a separate Rate Zone for its Foster acquisition. Under the [s]ettlement, the service charges for all classes in Rate Zone 2 are equalized with Rate Zone 1. Rate Zone 11 (Valley) and the Foster acquisition rates have been equalized with Rate Zone 1. Volumetric rates for Rate Zone 12 (York) will be increased. In Rate Zone 10 (Royersford), the usage allowance is decreased. Rate increases in the Valley, Royersford, York and Foster service areas will be effective on the dates specified in Appendix B (Wastewater Tariff).

38. The Company currently has three Combined Sewer System ("CSS") rate zones: Rate Zone 3 (Scranton), Rate Zone 4 (Kane), and Rate Zone 6 (McKeesport). Under the [s]ettlement, the usage allowance for all customer classes is eliminated for Rate Zone 4 (Kane). In Rate Zone 6 (McKeesport), residential rates for Port Vue customers will be equalized with the rest of the zone.

39. Appendix G contains billing comparisons showing the impact on the bill of an average customer in each major rate class if the Settlement Rates are approved. "Average monthly bill" is based PAWC's calculation of its system-wide average monthly usage.

⁶ While every effort has been made to ensure that rate design descriptions are accurate, if any inconsistency exists between such descriptions and the rates set forth in Appendix B, the latter shall take precedence.

40. In its next base rate filing, PAWC agrees to create a separate tariff group for current and future CSS customers. PAWC will propose consolidation of the rates of current and future CSS customers over time, separately from the consolidation of current and future SSS customers.

41. In its next base rate filing, the Company will submit a wastewater cost-of-service study that includes a separate customer class for bulk customers in the York system whose rates are set by contract. This customer class may include other wastewater customers whose rates are set by contract.

F. PAWC’s Customer Assistance Programs

(1) Bill Discount Program (“BDP”)

42. PAWC agrees to implement the BDP discount structure set forth in Table 2 below on the effective date of the Settlement Rates:

Table 2

<u>Income Group</u>	<u>Water Service Charge Discount</u>	<u>Water Volumetric Charge Discount</u>	<u>Wastewater Total Bill Discount</u>
0-50% Federal Poverty Level (“FPL”)	80%	80%	80%
51-100% FPL	65%	50%	55%
101-150% FPL	40%	25%	30%

43. Within one year of the final order in this proceeding, PAWC agrees to develop a process for tracking and reporting on the following data:

- i. Average monthly bill amounts of H2O bill discount program participants at various usage levels (1,000; 2,000; 3,000; 4,000; and 5,000) and FPL tiers (0-50%; 51-100%; 101-150%; and 151-200% FPL);

- ii. The mean and median usage levels of H2O bill discount program participants, broken down by income tier;
- iii. The mean and median usage levels of non-H2O low income customers;
- iv. The number and percent of H2O bill discount program that have been terminated and/or removed from the H2O bill discount program, broken down by income tier;
- v. The total number of BDP participants with pre-program arrears and the amount of those arrears, as compared to the number of BDP participants who are participating in the AMP and the amount of those arrears, broken down by income tier;
- vi. The H2O bill discount program application acceptance rate.
- vii. Identification of potential barriers to enrollment. Information technology and other procedural changes are required to implement this tracking and reporting. The Company will provide updates at its quarterly Customer Assistance Advisory Group (“CAAG”) meetings regarding its progress adopting these changes. Once these changes are adopted, PAWC agrees to report on the data outlined in subparagraphs i.-vii. above to the CAAG on, at minimum, a biannual basis.

44. Within one year of the final order in this proceeding, PAWC agrees to make BDP participation portable within its service territory, such that a BDP participant who changes residences will not be removed from BDP solely because of having changed their service address, so long as the customer maintains continuous customer status. Information technology and other procedural changes are required to implement this change. The Company will provide updates at its quarterly CAAG meetings regarding implementation progress.

45. PAWC agrees to monitor and review appropriate billing data for purposes of determining, in its next base rate proceeding whether any offset to its low-income program cost recovery is necessary to avoid any double recovery the Company may receive through actual collections after the implementation of its Arrearage Management Plan (“AMP”). The Company will

consult with the OCA and I&E to determine the necessary data needed to accomplish this directive.

46. PAWC will place a dunning lock on the accounts of any applicant for PAWC's BDP and AMP, at the time their application is submitted, until a determination is made about the applicant's eligibility and enrollment. If enrolled in AMP, PAWC agrees that the account would be considered "current" so long as the household continues to make "full payments" as defined by the AMP Settlement at Docket No. P-2021-3028195.

(2) Hardship Fund

47. PAWC agrees to work with the Joint Petitioners and stakeholders through its CAAG to review the procedures for referring customers to Hardship Fund, including customers who are facing termination of service.

48. At the first CAAG meeting after the final order in this proceeding, PAWC agrees to provide a written description of its Hardship Fund application process, including its eligibility rules, grant calculation steps, and the grant issuance process.

49. PAWC agrees to increase its annual contribution to the Hardship Fund in the amount of \$150,000. PAWC will continue its practice of adding any unspent dollars included in the Hardship Fund in a program year to hardship funding for the subsequent program year. Any carry-over will be in addition to the total budget for the subsequent program year.

50. PAWC agrees to reduce its good faith payment requirement for its Hardship Fund to, at most, \$50.

51. PAWC agrees that eligible customers will receive a Hardship Fund grant that equals their total account balance at the time of grant issuance not to exceed \$500.

52. PAWC agrees to work with its CAAG members to develop a solution to allow an eligible customer to receive multiple Hardship Fund grant awards each year, up to the maximum grant amount of \$500 for water and \$500 for wastewater.

53. The Company will continue to use Dollar Energy Fund to administer the hardship fund and Dollar Energy Fund will continue to employ local community-based organizations as

“local screening agents” for intake assistance and eligibility determination. Additionally, the Company will continue to use Dollar Energy Fund and local community-based organizations for marketing and outreach for that fund and the H2O bill discount program.

(3) Outreach

54. PAWC will develop and undertake targeted community outreach efforts in geographic areas within its service territory where there are higher percentages of customers with income at or below 50% FPL.

55. PAWC will provide a summary of recent consumer outreach and education efforts during each CAAG meeting.

56. PAWC agrees to support a petition from CAUSE-PA, OCA, and/or CEO requesting the initiation of a generic proceeding to explore cross-program enrollment opportunities among utilities in the Commonwealth.

G. Service Quality and Customer Service Commitments

(1) Main Extensions

57. The Company agrees to construct water main extensions to meet the need in the project areas identified below under and pursuant to Rule 27.1(F) of its water tariff, which authorizes main extensions to be installed without customer contributions subject to Commission approval in order to address health and safety concerns. PAWC will construct the extensions to provide the capability to address water quality and quantity issues of other potential customers within the project’s scope.

- Project Area 1 – Campbell Road and Old Steubenville Pike, Robinson Township, Washington County (OCA St. 7, pp. 15-17; OCA St. 7SR, pp. 11-15; Tr. at 145-46 (B. Moore), 155-60 (Comport), 242-243 (Mizenko), 269-73 (Casciato), 435-437, 439 (S. Moore); Moore Exh. 1; Brown Exh. 1; Duran Exh. 1; Duran Exh. 2).
- Project Area 2 – Donaldson Road, Robinson Township, Washington County (OCA St. 7, pp. 17-18; Tr. at 368-71 (Simpson); Brown Exh. 1). The project will address the service issue identified in the OCA’s testimony (OCA Statement No. 7, pp. 17-18) and also provide the capability

to address water quality and quantity issues of the other potential customers in the project's scope.

- Project Area 3 – Avella Road (Route 50), Cross Creek Township, Washington County (OCA St. 7, p. 18; Tr. 213-14 (McConn)).

58. With respect to the foregoing commitments, the following terms and conditions also apply:

- a. The Company agrees to have signed contracts in place and start construction of the main extensions no later than the date it files its next base rate case, so long as where applicable the Commission has issued a certificate of public convenience to extend the Company's existing service territory and all necessary permits have been issued. The Company and the OCA will work together to establish a reasonable timeframe for the completion of the projects.
- b. The Company will take all reasonable actions to file and obtain Commission approval for any necessary extension of its existing certificated service territory to include the areas to be served in Robinson Township.
- c. The Company shall apply least-cost principles in designing and constructing the main extensions.
- d. The Commission's approval of this Joint Petition will constitute the approval required under Tariff Rule 27.1(F) to construct the projects.
- e. PAWC agrees to use its best efforts to apply for grants from applicable local municipalities and to receive contributions from other sources, such as from Marcellus Shale drilling companies, in order to mitigate the cost for the main extension projects.
- f. The Joint Petitioners agree that the provisions set forth in these paragraphs are not precedential as to conditions that might validate the application of Tariff Rule 27.1(F) in the future and shall not be cited as such in any subsequent proceeding.

(2) Storage Tanks

59. The Company will have all storage tanks over 15-years old inspected by an experienced tank inspection contractor. The

contractor will prepare a report of recommendations and PAWC will maintain the tanks in accordance with those recommendations where reasonable.

(3) Isolation Valves

60. The Company will continue to exercise all of its isolation valves on a 5-year cycle and inspect critical valves annually. In future rate cases, the Company will provide a searchable electronic log identifying each of its isolation valves, the date last exercised, date last repaired, date last replaced, and any pertinent notes.

(4) Fire Hydrants

61. The Company will mark any fire hydrants that cannot provide the minimum fire flow with the National Fire Protection Association approved color indicating flow level.

(5) Listing of Customer Complaints and Disputes

62. In future rate case filings, the Company will provide a listing of customer complaints and disputes in live Excel format ("Complaint Log:"). The Complaint Log should:

- a. include complaints or records of customer disputes received by PAWC, in addition to informal and formal complaints submitted to the Commission;
- b. include service addresses and be treated as Confidential to protect that customer information;
- c. categorize the disputes and complaints and, specifically, include pressure (high, low or none) as a category; and
- d. include the final disposition of each informal complaint submitted to the Commission. With respect to disputes, the Company will determine whether it is reasonably able to add data tracking capabilities to its systems to track the final disposition of disputes. If the Company can track the final disposition of disputes, it will also include that information in its Complaint Log. If not, PAWC will report that determination and provide a supporting analysis to the Joint Petitioners no later than 30 days prior to filing its next base rate case.

(6) Customer Service

63. PAWC agrees that call center representatives handling Pennsylvania customer calls are only representatives who have completed training and demonstrated proficiency on Pennsylvania-specific statutes and regulations, except for emergency calls received outside of normal business hours.

64. PAWC will amend Rule 7.2 in its Water Tariff and Section G.2 in its Wastewater Tariff to clarify that PAWC will inform the applicant or customer of any information relied upon by PAWC to determine the customer's responsibility for prior unpaid debt. PAWC will also inform the applicant or customer of their right to dispute that information, as well as the applicant or customer's right to obtain service while a dispute is pending. PAWC will not deny service to a customer or applicant who has a protection from abuse, or other similar order evidencing domestic violence, on the basis that a prior debt was incurred in the name of someone other than the customer or applicant.

65. Each quarter following the final order in this proceeding until a final order is issued in a subsequent base rate case, PAWC will provide the CAAG with a quarterly report, copied to the parties, addressing its progress in reaching each of the Company performance objectives set forth in Table 3 below:

Table 3

Service Quality and Customer Service Objective	Performance Objective
Call Center Annual % calls answered in 60 seconds	80%
Call Center Annual Abandonment Rate	8%
Frequency of Main Breaks	0.19 main breaks per mile
Kept Field Appointments	98%
Justified Commission Bureau of Consumer Services (“BCS”) Consumer Complaint Rate (per each 1,000 residential customers)	10% reduction in Consumer Complaints to BCS from 2021
Justified BCS Payment Arrangement Request Rate (per each 1000 residential customers)	10% reduction in Payment Arrangement Request to BCS from 2021
BCS Infraction Rate	10% reduction from 2021
Average Response Time to BCS Consumer Complaints and Payment Arrangement Requests	<15 days
Customer Overall Satisfaction with Service Appointment	80% satisfaction
Customer Overall Satisfaction with Customer Care Agent	80% satisfaction

66. Within 90 days after a final order in this proceeding, PAWC will update its termination notices to inform customers of the right to make a verbal declaration of a medical emergency and provide a copy of its updated notices to the parties.

67. PAWC will revise its bills by adding periodic bill messages or inserts to make clear that no convenience fee is charged for payments made by phone. The Company will also add an Interactive Voice Response message explaining that no convenience fees are charged for payments by phone.

(7) Security Deposits

68. PAWC will amend Water Tariff Rule 7.3(c) and Wastewater Tariff Section G.3 to add the following language: “PAWC will not charge a security deposit to a customer or applicant if the customer or applicant is confirmed to be income eligible for PAWC’s bill discount program.”

69. Prior to assessing a security deposit for any residential applicant or customer, PAWC will (1) advise households that no deposit will be assessed if they are income eligible for PAWC’s BDP and (2) advise customers about how to verify eligibility for the security deposit exemption and apply for the BDP.

H. Tariff Changes

70. PAWC agrees to withdraw its proposed tariff changes that would (1) modify the Company’s current limitation of liability provisions (Water Tariff Rule 15.1 and Wastewater Tariff Section Q) and (2) permit the Company to charge flat rates to wastewater customers that are metered by non-Company water providers.

71. The Joint Petitioners agree to the other originally proposed tariff changes described in the direct and rebuttal testimony of Company witness Stacey D. Gress as shown in Appendices A and B to this Joint Petition.

I. Industrial Pre-Treatment Charges

72. The Wastewater Tariff provided as Appendix B reduces the industrial loading fee for BOD5 for the Coatesville district from \$0.35 to \$0.20 per pound above domestic.

73. In its next rate case, the Company will propose an industrial loading fee for BOD5 for the Coatesville district of \$0.35 per pound above domestic, as recommended by the Company’s current cost of treatment study. However, if a new cost of treatment study is completed prior to the next rate case, the Company will propose an updated industrial loading fee for BOD5 for the Coatesville district based on the results of its updated cost of treatment study. The Company commits to filing its most recent cost of treatment study at the time of its next rate case filing.

74. The Company's Wastewater Tariff provided in Appendix B exempts excess loading fees for IPP permit holders during the period of any compliance schedule established by their permit (Victory's permit establishes a compliance schedule). This exemption from excess loading fees applies to excess loading fees for all pollutants, unless otherwise provided by the permit (for Victory, the exemption shall apply to excess loading fees for all pollutants, during the term of its compliance schedule).

75. PAWC will amend Victory's IPP permit to extend the deadline within the permit's compliance schedule for pretreatment installation until January 1, 2024.

J. Classification of Dempsey Uniform and Linen Supply ("Dempsey") Customer Account

76. On or before the effective date of the Settlement Rates, PAWC will reclassify Dempsey Uniform Linen and Supply as an industrial customer instead of a commercial water customer, as requested in the customer letter dated July 29, 2022 appended in redacted form to PAWLUG Statement No. 1 as Exhibit__ (BSL-4).

K. Effective Date

77. The Joint Petitioners agree to the implementation of the Settlement Rates on January 28, 2023, when the suspension period will expire.

See, settlement at 4-21.

In addition, the settlement is conditioned on the usual terms by which most settlements submitted to the Commission are conditioned. For example, the settlement is made without admission against, or prejudice to, any position which any joint petitioner might adopt during subsequent litigation. Id. at 23. The settlement is also conditioned on the Commission approving the terms and conditions without modification. Id. If the Commission should disapprove the settlement or modify the terms, the settlement may be withdrawn upon written notice and, in such event, the settlement will have no force and effect. Id. The joint petition also provides that the settlement does not establish precedent and does not expressly or implicitly represent approval of any specific claim or claims made

in this proceeding. Id. The joint petition also provides that the parties will waive filing exceptions if the Recommended Decision recommends that the Commission adopt the settlement as proposed. Id.

VI. DISCUSSION

a. Legal Standard

Commission policy promotes settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a “burden of proof” standard, as is utilized for contested matters. Pa. Pub. Util. Comm’n v. City of Lancaster – Bureau of Water, Docket No. R-2010-2179103 (Opinion and Order entered July 14, 2011) (Lancaster). Instead, the benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest. Id.; Warner v. GTE North, Inc., Docket No. C-00902815 (Opinion and Order entered Apr. 1, 1996) (Warner); Pa. Pub. Util. Comm’n v. CS Water and Sewer Associates, 74 Pa.P.U.C. 767 (1991).

In addition, in this case, the parties have reached what is referred to as a “black box” settlement where the settlement provides for an increase in the utility’s revenues but does not indicate the specifics of how the parties calculated the increase. The Commission has permitted “black box” settlements as a means of promoting settlements in contentious base rate proceedings. Pa. Pub. Util. Comm’n v. Wellsboro Electric Co., Docket No. R-2010-2172662 (Order entered Jan. 13, 2011); Pa. Pub. Util. Comm’n v. Citizens’ Electric Co. of Lewisburg, Docket No. R-2010-2172665 (Order entered Jan. 13, 2011). The Commission has observed that determining a utility’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting expenses, depreciation, rate base, taxes and the utility’s cost of capital. Reaching an agreement among the parties on each component can be difficult and

impractical. As a result of this complexity, the Commission supports the use of “black box” settlements. Pa. Pub. Util. Comm’n v. Peoples TWP LLC, Docket No. R-2013-2355886 (Opinion and Order entered Dec. 19, 2013)(Peoples TWP). The submission of a black box settlement in this case is reasonable.

Furthermore, all decisions of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. Norfolk & W. Ry. Co. v. Pa. Pub. Util. Comm’n, 413 A.2d 1037 (Pa. 1980); Erie Resistor Corp. v. Unemployment Comp. Bd. of Review, 166 A.2d 96 (Pa. Super. 1961); and Murphy v. Pa. Dept. of Pub. Welfare, White Haven Ctr., 480 A.2d 382 (Pa. Cmwlth. 1984).

b. Issues

In the Joint Petition, the parties noted that the settlement is in the public interest because 1) it provides for an increase in annual operating revenues of \$138 million in lieu of the \$173.2 million originally requested, 2) the settlement includes enhancements to PAWC’s customer assistance programs, 3) the settlement includes commitments from PAWC regarding quality of service and customer service, including several performance objectives, 4) the settlement rates will allocate the agreed upon combined water and wastewater revenue requirement to each rate zone and customer class in a manner that is reasonable in light of the rate structure/cost of service positions of the joint petitioners and the implementation of 66 Pa.C.S. § 1311(c) of the Public Utility Code, and 5) the settlement was achieved after extensive discovery was conducted, testimony was submitted and in-depth discussions were held. Settlement at 22. The parties then noted that the settlement constitutes a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein and is supported by a substantial record. Id.

In addition, each of the parties has submitted a statement in support of the settlement articulating their reasons why the settlement should be approved without modification.

i. Revenue requirement (Joint Petition paragraphs 12-17)

1. Position of the parties

PAWC noted that the agreed upon revenue requirement is in the public interest because of 1) the time that has elapsed since PAWC's last base rate case, 2) PAWC's substantial investment in new and replacement property to replace aging infrastructure and comply with evolving legal and regulatory drinking water and environmental standards, 3) PAWC's efforts to control operating and maintenance expenses and improve efficiency, while enhancing customer service and 4) the continuing trend of declining per-customer water usage. PAWC St. in Supp. 13. PAWC noted specifically that its current base rates became effective January 28, 2021 and the Company has invested over \$1.1 billion in new plant and equipment between the end of the prior FPFTY and the end of the proposed FPFTY. Id. at 14. PAWC notes that it has been an industry leader in helping the Commission meet the significant challenges posed by many small, troubled systems that still exist throughout the Commonwealth. Id. PAWC also noted that customer usage has declined approximately 750 gallons per year per residential customer and 2,350 gallons per year per commercial customer. Id. PAWC notes the impact these factors have had on its overall return on invested capital thus requiring rate relief. Id. at 15.

PAWC also noted that the settlement embodies the Joint Petitioners' agreement that proposed *pro forma* present rate revenue of \$831,593,862 reflects adjustments for declining usage, weather normalization and the impact of the Covid-19 emergency. Id. at 16. PAWC also notes its support in the settlement of the agreement for PAWC to submit one or more separate stormwater and wastewater cost of service studies for its CSSs which will assure that the Commission and the parties in the next base rate case have information related to all PAWC-owned CSSs. Id. PAWC noted that I&E, the OCA and the Company reached a reasonable resolution regarding Covid-19 related expenses where deferral of incremental uncollectible

expense above or below the amount embedded in PAWC's base rates and carrying costs to its Covid-19 regulatory asset will cease on December 31, 2022 and PAWC will withdraw its proposed uncollectible tracker. Id. at 17-19. Finally, PAWC also noted the depreciation rates and amortization amounts agreed to in the settlement in support of its position that the settlement is in the public interest. Id. at 16-17, 19.

PAWC concluded that, in light of the standards consistently applied by this Commission, the revenue requirement provisions of the settlement are reasonable and in the public interest. Id. at 20-22.

I&E noted that it carefully scrutinized the ratemaking claims contained in PAWC's base rate filings and the settlement represents an approximately \$35.2 million savings for PAWC customers while at the same time providing PAWC with the revenue necessary to enable it to provide safe, reliable and adequate service. I&E St. in Supp. 9. I&E also noted that "black box" settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by a regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation. Id. at 9-10. I&E also noted that a settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates that the Joint Petition reflects a compromise of the positions held by those parties and, therefore, the interests of PAWC and its customers are balanced. Id. at 10-11.

I&E also noted that PAWC has agreed to submit one or more separate stormwater and wastewater cost-of-service studies for each of its combined sewer systems in future rate filings, which it is not otherwise required to do. Id. at 11. I&E added that PAWC's commitment will enable I&E to make rate recommendations on a cost-causation basis in the future which is paramount to protecting the public interest. Id. at 12. I&E added that this settlement term is essential because without it, the Commission's ability to evaluate any cost spreading from the perspective of cost causation would be compromised. Id. at 13.

I&E also noted other provisions related to revenue requirement that are in the public interest. This includes the depreciation rates PAWC will use to calculate the depreciation expense it records on its regulated books of account, noting that it provides certainty about depreciation rates and ensures that PAWC's rates are calculated accurately. Id. I&E also noted that PAWC combined commitments and clarifications regarding deferral of carrying costs to its Covid-19 regulatory asset are consistent with I&E's position in this case and recognizes an end point for pandemic-related recovery which protects both PAWC and its ratepayers. Id. at 13-14. I&E also noted PAWC's commitment to withdraw its proposed uncollectibles expense tracker as a critical part of I&E's agreement to join the settlement. Id. at 14. I&E noted it was not persuaded that PAWC had a justifiable basis to implement its proposal, including that PAWC failed to meet the standard necessary to warrant deferred accounting treatment for ratemaking purposes. Id. at 15. I&E also noted that the proposal would have been contrary to Chapter 14 of the Public Utility Code, 66 Pa.C.S. §§ 1401 – 1419, and led to an outcome where customers overpaid their bills at a difficult economic time. Id. at 16. Finally, with regard to revenue requirement, I&E noted that the amortization rates agreed to in the settlement do not include the legal fees associated with PAWC's acquisition of the Valley Water and Wastewater systems which I&E submits protects the public interest by ensuring that PAWC's ratepayers are not compelled to pay the unwarranted legal fees of municipal entities that choose to sell their water or wastewater system to PAWC. Id. at 16-17.

OCA noted that the settlement is in the public interest and should be approved because the total increase allowed of \$138 million is \$35.2 million less than the total increase requested by PAWC. OCA St. in Supp. 5-6. The OCA added that the amount of wastewater revenue requirement shifted from wastewater to water customers will be substantially reduced from \$73 million to \$27 million. Id. Although the increases to wastewater rates are higher than the rate increases proposed in PAWC's filing due to the amount that PAWC proposed water customers would pay to subsidize wastewater customers being reduced, the OCA noted that it is in the public interest that more of the responsibility for paying sanitary and stormwater costs should be paid for by the customers who are receiving those services. Id. at 7-8. The OCA added that, even at the level agreed to in the settlement, wastewater customers will not pay their full cost of service and are being subsidized by PAWC's water customers. Id. at 8. The OCA

noted that the litigation of this case would likely have resulted in an outcome less favorable to consumers than that which was negotiated in the settlement. Id. The revenue increase taken as a part of the whole settlement yields a better result than that which was likely if the case were fully litigated and thus is in the public interest. Id. at 9.

The OCA also noted settlement that the provision of the settlement that requires PAWC to submit one or more separate stormwater and wastewater CCOS studies for each of its combined sewer systems is reasonable and warranted given the significant amount of revenue requirement at issue and the principle that rates should be reasonably cost-based. Id. The OCA added that having the agreed-upon CCOS studies in future rate cases will provide information to support recommendations regarding the proper allocation of costs to the combined sewer systems and any amount of subsidy by water customers and other wastewater customers. Id. at 10.

PAWLUG noted that the settlement is in the public interest and should be approved because the settlement results in an increase in PAWC's rates of \$138 million, which is approximately 80% of the Company's original request of \$173.2 million. PAWLUG St. in Supp. 3.

CAUSE-PA noted that the settlement is in the public interest and should be approved because the reduction in revenue requirement will lessen the impact of the rate increase on low-income customers who already struggle to afford services. CAUSE-PA St. in Supp. 3. CAUSE-PA noted that the settlement as a whole includes enhancements to PAWC's low-income assistance programs and consumer protections which are critical to helping mitigate the impact of the rate increases for PAWC's customers which creates a reasonable balance of the varied interests of the parties. Id. at 4.

CEO noted that the rate increases agreed to are significantly lower than the increases originally proposed therefore reducing the negative impact of increased rates on low-income customers. CEO St. in Supp. 2.

Exeter noted settlement that the rates agreed to in the Settlement are significantly lower than the rates proposed by PAWC in its filing which will benefit the Township and its residents. Exeter Township St. in Supp. 1.

Similarly, settlement St. Lawrence noted that PAWC has agreed to a lesser increase of \$0.400 per 100 gallons instead of \$0.430 per 100 gallons, noting too that this will reduce the negative impact of rate increases on the Borough and public sewer users in the Borough. Borough of St. Lawrence St. in Supp. 2.

Cleveland-Cliffs noted that the rates agreed to in the settlement are significantly lower than the rates proposed by PAWC which benefits all PAWC customers. Cleveland Cliffs St. in Supp. 2.

As noted above, PAWC customer James Jackson filed an objection to the settlement on October 18, 2022 generally contesting, among other things, the agreed upon revenue requirement as being too high. Jackson Objection.

2. Disposition

The revenue requirement agreed to in the settlement is in the public interest and supports adopting the settlement in its entirety without modification.

To begin, under the original filings made in this proceeding, PAWC proposed an increase of its total annual operating revenues for water service by approximately \$154.4 million, or 21.6%, through rates effective June 28, 2022. For wastewater rates, PAWC proposed an increase in total annual operating revenues for wastewater service by approximately \$18.7 million, or 16.1%, through rates effective June 28, 2022. In lieu of the originally requested rates, however, the parties have agreed to allow PAWC to increase annual water revenues by \$83 million above current levels and wastewater revenues by \$55 million. In agreeing to the reduced revenue requirements, the water bill for the typical residential customer will increase by \$8.76 per month, from \$60.48 to \$69.24, a 14.5% increase, rather than the \$15.01 increase, or 24.8%,

proposed in the original filing and the wastewater bill for a typical residential customer will increase by \$30.00, from \$76.65 to \$106.65 per month, or 39.1%, rather than the \$19.01 increase, or 24.9%, increase proposed in the original filing.

In this situation, the combined revenue requirement increase for both water and wastewater of \$138 million is \$35.2 million less than the total increase requested by PAWC. This reduction of \$35.2 million is in the public interest because it decreases the burden placed on PAWC's customers. It is noted that the overall increase of \$138 million is in the middle ground of PAWC's original request, which it subsequently noted in rebuttal testimony could have been higher than originally proposed, and the revenue requirement increases of \$74.4 million proposed by I&E and \$25.8 million proposed by the OCA. As a result, the \$138 million amount is a compromise of the parties' litigation positions and is likely in the range of where the Commission would have ordered the revenue requirement to be set had the parties not reached a settlement.

In this case, the revenue requirement includes the unusual circumstance where the revenue requirement for wastewater rates agreed to in the settlement is in fact higher than what PAWC originally proposed. This is because the parties agreed, as part of the overall settlement, that the amount PAWC's water customers would pay to subsidize PAWC's wastewater customers should be reduced. While this reduced the overall revenue requirement for PAWC's water customers it increased the overall revenue requirement for PAWC's wastewater customers. This is in the public interest because substantial record evidence demonstrates that doing so brings rates closer to the actual cost of providing those services. I agree with the OCA that it is in the public interest that more of the responsibility for paying sanitary and stormwater costs should be paid for by the customers who are receiving those services. The revenue requirement agreed to in the settlement is in the public interest because it does just that.

Furthermore, although the agreed upon revenue requirement is part of a "black box" settlement where specific revenue and expense adjustments are not identified, the Commission strongly encourages settlements and supports the use of "black box" settlements. *See Peoples TWP*. Given the multiple number of parties and the multiple complex issues present

in this proceeding, it is not unreasonable that a “black box” settlement was achieved here. Multiple parties have thoroughly vetted PAWC’s filings and provided a significant response in testimony. These factors support finding that the agreed upon revenue requirement is in the public interest and should be approved without modification.

The agreed upon revenue requirement in the settlement must also be viewed in light of the other provisions contained in the settlement. When doing so, it is reasonable to determine that the agreed upon revenue requirement is in the public interest and should be adopted without modification. For example, and as discussed further below, the parties agreed to substantial enhancements to PAWC’s low-income customer assistance programs. These provisions will help offset the burden created by the rate increases for many low-income customers. Other provisions of the settlement will also benefit consumers, such as the agreed upon main extensions and the improvements to PAWC’s customer service. Additionally, PAWC agreed as part of the settlement to take additional actions before its next base rate case that will further ensure that future rates are accurate, including filing additional cost of service studies and depreciation information, among other things. It is also noted that certain provisions in the settlement consider the impact of the Covid-19 pandemic on PAWC’s rates. As the impact of the pandemic continues to wane, it is hoped that the provisions contained in the settlement will help bring some finality to its impact on PAWC’s rates.

Although the agreed upon revenue requirement in the settlement is substantial and will regrettably burden some customers, it is nonetheless coupled with other provisions in the settlement that may help ease that burden. As a result, the agreed upon revenue requirement in the settlement is in the public interest, supported by substantial evidence and will be recommended for approval without modification.

ii. Alternative Ratemaking Mechanisms (Joint Petition paragraph 18)

1. Position of the Parties

PAWC noted that, in order to reach a settlement, the Company's proposed rate stability mechanism (RSM) was withdrawn without prejudice to PAWC's right to propose such a mechanism in future proceedings. PAWC St. in Supp. 22-23.

I&E noted that PAWC's commitment in the settlement to withdraw the RSM is in the public interest because it was necessary to ensure that ratepayers are not subject to paying unnecessary, unjust, and unreasonable rates. I&E St. in Supp. 18-19. I&E added that it is also in the public interest to respect and honor the General Assembly's and the Commission's goals for alternative ratemaking. Id. at 19.

The OCA noted several issues related to the Covid-19 deferral, the uncollectible tracker mechanism and the RSM. The OCA noted that the settlement is in the public interest and should be approved because the settlement provides that PAWC will cease deferring carrying costs and incremental uncollectible expenses related to Covid-19 at the end of 2022 and states that the Company has already ceased deferring other Covid-19 related expenses. OCA St. in Supp. 10. The OCA also noted that PAWC is required to continue to offset any savings realized during the pandemic against its recorded Covid-19 deferral balance. Id. The OCA also noted that the settlement requires PAWC to withdraw its proposed uncollectible tracker mechanism given the difficulties PAWC claimed it had forecasting its uncollectibles expense due to the pandemic and the resulting suppression of disconnections. Id. at 11. The OCA noted that PAWC's agreement to withdraw this proposal ensures that customers do not bear the uncertainty of PAWC's uncollectible amounts and that the risk of non-collection remains with the Company, which the OCA contends is in the public interest. Id.

The OCA also referenced PAWC's proposal in its filing for authorization of a RSM which the OCA considered to be significantly detrimental to customers because it would unjustly shift the risk of revenue fluctuations between rate cases away from investors who

currently bear the risk and onto customers. Id. at 11-12. The OCA had noted in particular how the mechanism could affirmatively harm low-income customers who do not have the ability to pursue investments in water conservation. Id. at 12. The OCA noted that the RSM would be unfair to ratepayers and must not be implemented and ultimately PAWC agreed to withdraw the proposed RSM as part of the settlement. Id.

The OSBA noted settlement that PAWC agreeing to withdraw the RSM is just and reasonable. OSBA St. in Supp. 3.

PAWLUG noted that the settlement is in the public interest and should be approved because PAWC agreed to withdraw the RSM, noting that the RSM would unfairly shift to customers PAWC's risk of recovering its costs and meeting earnings targets. PAWLUG St. in Supp. 4.

Victory Brewing noted that the settlement is in the public interest and should be approved because, although it did not submit testimony on this issue, it was prepared to oppose the RSM in its brief. Victory St. in Supp. 11. Victory Brewing added that, given the persuasive reasons offered by several witnesses in this proceeding in support of rejecting the proposed RSM, it is appropriate for this mechanism to be withdrawn. Id. at 12. Victory Brewing noted that this provision is in the public interest and should be approved without modification given the notable rate increases customers are facing which should not be further exacerbated by the possibility of surcharges stemming from the proposed RSM. Id.

2. Disposition

The provision in the settlement withdrawing the RSM is in the public interest and supports adopting the settlement in its entirety without modification.

Several parties noted in their statements in support that the RSM would unfairly shift PAWC's risk of recovering its costs and meeting earnings targets to customers. In particular, the RSM would likely impact low-income customers the most as those customers are

least likely to be able to pursue conservation measures. Withdrawing the proposed RSM therefore is part of the overall package of agreements contained in the settlement that warrant justifying the agreed upon revenue requirement and helps ensure that the rates charged by PAWC are just and reasonable.

As a result, the agreement in the settlement to withdraw the proposed RSM is in the public interest, supported by substantial evidence and will be recommended for approval without modification.

iii. Distribution System Improvement Charge (Joint Petition paragraphs 19-23)

1. Position of the Parties

PAWC noted that, with regard to the DSIC, the settlement sets forth “baselines” for water and wastewater operations that, when reached, will permit PAWC to reinstitute charges under the respective water and wastewater DSIC riders, but no earlier than April 1, 2024. PAWC St. in Supp. 23. PAWC further explained that, notwithstanding the “black box” nature of the settlement regarding revenue requirement, the parties have agreed to use the rate of return on equity as calculated for water utilities published by the Commission’s Bureau of Technical Utility Services (TUS), which is a recognized and accepted benchmark return on equity for use in calculating revenue requirement under the DSIC. Id. at 23-24. PAWC also noted that, under the settlement, within 90 days after entry of a final order in this proceeding, the Company will file an amendment to its wastewater LTIP to include systems acquired under Section 1329 of the Public Utility Code, 66 Pa.C.S. § 1329, so that newly acquired systems can be included in the Company’s quarterly DSIC calculations. Id. at 24-25. Finally, PAWC noted that the Commission has a pending generic proceeding regarding treatment of a utility’s federal income tax expense related to the DSIC and the settlement requires PAWC to update its DSIC calculation and tariffs consistent with the outcome of that proceeding. Id. at 26.

I&E noted that the settlement is in the public interest and should be approved because the settlement provisions regarding DSIC adopt I&E's recommendations and they will benefit both PAWC and ratepayers. I&E St. in Supp. 19. I&E added that PAWC benefits because it will have access to DSIC funding for necessary infrastructure improvement which will facilitate PAWC's obligation to maintain adequate, efficient, safe, and reliable service and facilities and that customers will benefit because they will not need to fund the DSIC prior to April 1, 2024, at the earliest. Id. I&E also supports the terms of the DSIC agreed to in the settlement regarding the calculation of the return on equity and the filing of an amended wastewater LTIP to include systems acquired under Section 1329 of the Public Utility Code, 66Pa.C.S. § 1329. Id. at 20.

The OCA noted that the settlement is in the public interest and should be approved because, while recognizing that the Commission has a generic proceeding open addressing the treatment of state and federal tax deductions in calculating the DSIC, PAWC has agreed not to charge a DSIC during 2023 and its first DSIC in 2024 will not be effective until April 1, 2024. OCA St. in Supp. 12-13. The OCA noted that these provisions help to ensure that the DSIC is calculated properly and prevent duplicate recovery of DSIC-eligible expenditures in base rates and the DSIC. Id. at 13. The OCA also noted that the settlement addresses PAWC's proposal to delay implementation of the DSIC to certain portions of its service territory by applying the DSIC to certain systems and then applying the DSIC under a timeline for systems acquired under Section 1329 of the Public Utility Code, 66 Pa.C.S. § 1329, following an amendment to PAWC's LTIP. Id. at 14. The OCA contended that the DSIC will be applied to all systems that PAWC proposed would be exempt in this proceeding which will ensure equity for existing customers. Id.

2. Disposition

The provisions in the settlement regarding the DSIC will be recommended for adoption without modification because they are supported by substantial evidence and in the public interest.

The DSIC can be an effective tool to improve a utility's infrastructure in between base rate cases. In this case, the parties' agreements regarding the DSIC will enable PAWC to more effectively use the DSIC for important infrastructure improvement without imposing unnecessary additional burdens on PAWC's customers. In particular, it is reasonable and in the public interest that PAWC would use the TUS rate of return on equity calculations for water utilities when setting its DSIC. Doing so helps to ensure that the baselines set for water and wastewater operations are just and reasonable. It is also reasonable and in the public interest that PAWC's LTIIP be amended to include systems acquired under Section 1329 of the Public Utility Code, 66 Pa.C.S. § 1329, to better coordinate improvements to PAWC's system as a whole.

At the same time, the settlement provisions that prohibit PAWC from implementing a DSIC that would be effective prior to April 1, 2024, and after PAWC reaches the FPFTY plant levels indicated in Appendix A to the settlement, is in the public interest because it will provide an additional level of rate stability to PAWC's customers. Yet, PAWC's customers will still benefit from the necessary infrastructure improvement associated with the DSIC. In light of the overall revenue requirement agreed to in the settlement, prohibiting any implementation of the DSIC prior to April 1, 2024 is in the public interest.

As a result, the agreement in the settlement regarding PAWC's DSIC is in the public interest, supported by substantial evidence and will be recommended for approval without modification.

iv. Fully Projected Future Test Year Reports (Joint Petition paragraph 25)

1. Position of the Parties

PAWC noted that it agreed to provide updates requested by I&E regarding the plant-in-service balances and other rate base elements projected at the end of the FPFTY to include actual plant additions, retirements and reclassifications for 2022 and 2023, respectively. PAWC St. in Supp. 26.

I&E noted that the settlement memorializes PAWC's commitment to adopt reporting requirements that will enable the Joint Petitioners and the Commission to gauge the integrity and accuracy of PAWC's plant projections. I&E St. in Supp. 20. I&E added that the settlement adopts updates recommended by its witness and that it is in the public interest for the parties and the Commission to ensure their accuracy. Id. at 21. I&E added that it supports the settlement term because it achieves I&E's goal of timely receiving data sufficient to allow for the evaluation and confirmation of the accuracy of the projections in PAWC's next base rate filing, which is necessary to ensure that PAWC is accountable to ratepayers. Id.

2. Disposition

The provision in the settlement regarding the FPFTY will be recommended for adoption without modification because it is supported by substantial evidence and in the public interest. Requiring PAWC to update its plant additions and retirements to include actual additions and retirements will help ensure that the rates set in this proceeding and PAWC's next base rate proceeding are just and reasonable and otherwise consistent with applicable law. The more information that can be provided in updated and detailed fashion the more likely it is that the rates set will be just and reasonable. As a result, the agreement in the settlement regarding the FPFTY is in the public interest, supported by substantial evidence and will be recommended for approval without modification.

v. Cost Allocation, Revenue Allocation and Rate Design (Joint Petition paragraphs 42-56)

1. Position of the Parties

PAWC noted that, under the settlement, PAWC agreed to submit a wastewater COSS in its next base rate case that includes a separate customer class for the York Bulk Customers as recommended by witnesses for I&E and the OCA in this case. PAWC St. in Supp. 27-28. PAWC also noted that the allocation of the revenue increase under the settlement rates was within the range proposed by the witnesses for the Joint Petitioners and, more importantly,

provides for reasonable movement toward the system average rate of return by the various customer classes as measured in PAWC's COSSs. Id. at 29. PAWC also noted that the settlement rates provide for a smaller allocation of total wastewater revenue requirement to water operations pursuant to Section 1311 of the Public Utility Code, 66 Pa.C.S. § 1311(c), instead of PAWC's original proposal. Id. PAWC then noted specifics of the water and wastewater rate structure and rate design, including the consolidation and alignment of rate zones and the agreement to propose certain changes in the Company's next base rate case and the delayed effective dates of other changes. Id. at 29-33.

PAWC noted that the allocation of revenue responsibility can be one of the more contentious parts of a rate proceeding that requires a careful balancing of the countervailing interests of the non-utility parties. Id. at 34. PAWC then notes that the revenue allocation under the settlement rates comports with well-accepted ratemaking principles and makes appropriate progress in moving all classes closer to their cost of service consistent with the principle of gradualism. Id. at 34-35. Therefore, PAWC concludes that the proposed revenue allocation and rate design are reasonable, appropriately balanced and in the public interest. Id. at 35.

I&E noted that an essential condition for I&E's agreement to join the settlement was PAWC's commitment to significantly reduce the \$72.9 million subsidy to wastewater customers that it proposed as part of its filing. I&E St. in Supp. 21. I&E had argued that PAWC had failed to satisfy its burden that the subsidy proposal was in the public interest. Id. at 22. I&E added that the reduction by almost \$46 million is in the public interest, noting that the public interest requires mitigation of wastewater rate subsidization where no service benefits inure to the water payers who must pay the subsidy while paying their own wastewater costs as well. Id. at 23. I&E also noted as being in the public interest the agreement to delay effective dates for certain limited increases under a defined set of parameters, noting too that PAWC was contractually committed when it acquired the affected portions of its system to make the rate delay proposals in this case. Id. at 24. I&E questioned PAWC's authority to make such contractual commitments, but the settlement allows for the delayed implementation with several important caveats that will protect all of PAWC's ratepayers who should not be burdened by the promises made by PAWC to close acquisition deals. Id. at 25-26.

I&E also noted with regard to rate design that, based on the results of I&E's analysis of PAWC's cost of service studies, I&E made recommendations to move each class of PAWC's customers either to or towards its full cost of service, which I&E considers to be the ultimate goal. Id. at 27. As a result, I&E supports the revenue allocations set forth in the Joint Petition. Id. I&E noted that it is satisfied that the agreed upon residential customer charge does not include any unwarranted direct or indirect costs. Id. at 28. I&E added that it believes that the settled upon revenue allocations and rate design are in the public interest as they are consistent with prior Commission decisions, provide stability to PAWC and represent a fair and reasonable rate increase to customers. Id. I&E noted that, as part of the settlement, PAWC also agreed to adopt most of I&E's consolidation requirements for the sanitary sewer system (SSS) operations which it believes is in the public interest since the intention of I&E's consolidation recommendation was to honor principles of cost causation and to produce just and reasonable rates. Id. at 30. The settlement also adopts I&E's recommendation that PAWC create and maintain a separate tariff group for all current and future combined sewer systems, and I&E's recommendations regarding bulk customers, which I&E notes as being in the public interest, noting that this will improve the ability to establish cost-based rates for PAWCs customers. Id. at 31-32.

The OCA first noted that portion of the agreement that allocates some of PAWC's wastewater revenue requirement totaling \$26.9 million to its water customers. OCA St. in Supp. 15. The OCA added that the reduced revenue requirement mitigates the under-recovery of the stormwater revenue requirement from the CSS and stormwater system customers and brings the revenue increase for the CSS more in line with the cost of service. Id. at 16. The OCA added that this reduction is in the public interest as it addresses the OCA concerns that PAWC's proposed water and wastewater rates had no reasonable relationship to the underlying cost to serve those customers and reduces the inequity that stems from the fact that most PAWC water customers do not obtain their wastewater service from PAWC. Id. Similarly, the OCA noted that delaying the effective dates for rate increases to the customers in Royersford Borough, Valley Township, Foster Township and York systems is necessary to prevent existing PAWC customers from subsidizing the revenue requirement needed to keep rates lower than the new rates established for those systems in this case. Id. at 17.

The OCA also stated that the settlement is in the public interest and should be approved because of the water rate design and the wastewater rate design provisions. Notably, the OCA stated that these agreements represent a reasonable compromise that accomplishes some amount of rate consolidation while recognizing the need for gradualism in rate increases. Id. at 18, 20. The OCA added that establishing rates with lower fixed charges more properly reflects cost of service, provides clearer pricing signals, increases customer control over bills and is consistent with Commission policy to eliminate minimum allowances and move rates toward metered rates. Id. at 19. The OCA also noted that the wastewater increases are larger than would have been the case had PAWC's original proposal to have its water customers subsidize its wastewater customers by \$72.9 million because water customers will be receiving a significantly less increase under the settlement due to them having to pay a significantly lower subsidy to wastewater customers. Id. at 20. The OCA added that such a subsidy would have been inequitable. Id. The OCA concluded that some of the information agreed to by PAWC in the settlement will aid in determining rates in the next rate base case. Id. at 21-22.

OSBA noted that the settlement increase for commercial water customers reflects a compromise between PAWC and the OSBA litigation positions. OSBA St. in Supp. 2. The OSBA added that, had the Commission given equal weight to the rates proposed by PAWC and OSBA, the overall water increase to the commercial class would have been greater than that agreed to in the settlement. Id. Therefore, the OSBA concludes that the water revenue allocation in the settlement provides a reasonable outcome and a meaningful benefit to small business customers, particularly since it eliminates litigation risk associated with PAWC's proposed increase to commercial customers. Id. at 2-3. The OSBA also noted that the settlement affirms the OSBA's position arguing for a significantly lower recovery of PAWC's wastewater revenue requirement from the Company's water customers. Id. at 3. The OSBA added that the resolution in the settlement of that matter is consistent with the OSBA's testimony in this proceeding and is therefore just and reasonable. Id.

PAWLUG noted that the settlement is in the public interest and should be approved because it provides for a reasonable compromise among the parties concerning the wastewater revenue allocation and rate design for water customers, noting that the settlement

reduces the allocation of PAWC's wastewater revenue requirement to water customers from \$73 million to approximately \$27 million. PAWLUG St. in Supp. 4.

CEO noted that the settlement is in the public interest and should be approved because PAWC has agreed to keep the monthly residential customer charge for water customers at \$17.50 which preserves the ability to conserve and reduce bills through conservation. CEO St. in Supp. 2.

Cleveland-Cliffs added that the revenue allocation and rate designed contained in the settlement strikes a fair balance between the divergent interests of the various categories of ratepayers as evidenced by the fact that the settlement is supported by advocates for residential customers, including low-income customers, municipalities, and large and small business customers. Cleveland Cliffs St. in Supp. 2.

Victory Brewing noted that the settlement is in the public interest and should be approved because the movement with regard to rate design represents an important step in the right direction. Victory St. in Supp. 10. Victory Brewing noted that water users with higher consumption levels should not be expected to shoulder increases in a greater amount than those users with lower consumption patterns absent a cost of service justification, which was not shown here. Id. Victory Brewing added that, because the settlement results in the same percentage increase for all blocks of consumption, the rate design is in the public interest and should be approved without modification. Id.

2. Disposition

The provisions in the settlement regarding cost allocation, revenue allocation and rate design will be recommended for adoption without modification because they are supported by substantial evidence and in the public interest.

These issues generally are the most contested issues in a base rate proceeding involving multiple parties with divergent interests because, regardless of the outcome of issues

like revenue requirement and related issues, cost allocation, revenue allocation and rate design determine the specific portion of the overall revenue increase any given party will be required to bear. That is, to the extent the overall revenue requirement, for example, is set at a certain level, if a party is paying a reasonable share, or less, of the ultimate dollar value, the overall revenue requirement may be less significant to that party. In this case, the parties are commended for reaching agreement on a contentious issue contested by multiple parties.

As an initial matter, and as noted above regarding revenue requirement, the agreement in the settlement reduces the subsidy that PAWC's water customers provide to PAWC's wastewater customers. For the reasons discussed above regarding revenue requirement, this provision of the settlement is in the public interest because it helps to ensure that customers more accurately bear the burden of the cost of the service provided to them. PAWC's water customers should not be required to bear the burden of the cost to provide service to PAWC's wastewater customers.

In that vein, the provisions in the settlement that, for example, require the submission of a cost of service study in the next base rate proceeding, are in the public interest because they will also help ensure that customers more accurately bear the burden of the cost of the service provided to them and do not undertake the cost of service provided to other customers. This also includes the agreement in the settlement that PAWC agrees to create a separate tariff group for current and future CSS customers in its next base rate proceeding. These provisions help ensure accurate rates and are therefore in the public interest going forward. As I&E noted, customers should be moved either to or towards their full cost of service. As the Commonwealth Court has noted, cost of service is the "polestar" of ratemaking. Lloyd v. Pa. Pub. Util. Comm'n, 904 A.2d 1010 (Pa. Cmwh 2006).

Similarly, the provisions in the settlement adjusting the service charges for varying customer classes also is in the public interest because it helps to ensure that customers pay for the cost to provide them with the services they use.

As a result, the provisions in the settlement regarding cost allocation, revenue allocation and rate design are in the public interest, supported by substantial evidence and will be recommended for approval without modification.

vi. Customer Assistance Programs (Joint Petition paragraphs 42-56)

1. Position of the Parties

PAWC noted that, with regard to the bill discount program, the Company will implement its proposed three-tiered BDP discount at the time of any increase in base rates approved in this proceeding and develop a process for tracking and reporting certain detailed information about BDP participants. PAWC St. in Supp. 36. PAWC also noted that it will share the information on at least a biannual basis and that BDP participation will be portable within the Company's service territory. Id. PAWC also noted that it will place a dunning lock on the accounts of any applicant at the time their application is submitted until a determination is made about the applicant's eligibility and enrollment. Id. at 37.

With regard to PAWC's Hardship Fund, PAWC noted that, under the settlement, PAWC will 1) work through its advisory group to review the procedures for referring customers to the Hardship Fund, 2) provide the advisory group with a written description of its Hardship Fund application and issuance processes, 3) increase the Company's annual contribution to the Hardship Fund by \$150,000, 4) rollover unspent Hardship Fund monies to the total budget for the following year, 5) reduce the good faith payment requirement to \$50 and 6) ensure customer grants equal their total balance at the time the grant is issued. Id. at 38-39.

Finally, PAWC noted that, under the settlement, PAWC will develop and undertake community outreach efforts to reach customers at or below 50% of the federal poverty level and provide a summary of its efforts to its advisory group. Id. at 39. PAWC also noted its agreement to support a petition requesting the initiation of a generic proceeding to explore cross-program enrollment opportunities among utilities in the Commonwealth. Id. at 39-40.

I&E noted that, although it did not take a position on PAWC's customer assistance program in the evidentiary portion of this proceeding, it nonetheless supports these terms and opines that they are in the public interest for several reasons. I&E St. in Supp. 32. Those reasons include that ensuring that low-income customers have access to financial assistance will better facilitate these customers' access to water and wastewater service, doing so is consistent with the Public Utility Code policy of ensuring that service remains available to all customers on reasonable terms and conditions and ensuring that PAWC's programming is known to those in need. Id. at 32-33.

The OCA noted that the settlement is in the public interest and should be approved because the three-tier discount in the BDP program which provides higher discount levels to customers in lower income ranges is reasonable at this time. OCA St. in Supp. 22. The OCA added that the provisions in the settlement enhancing the collection of data on the program will better enable assessment of the effectiveness of the program and provide useful information for any future modifications. Id. at 23. The OCA also added that the settlement successfully accomplishes the OCA's objective of ensuring that BDP participation is not disrupted due to a customer's change of residence within the Company's service territory. Id. at 23-24. The OCA also noted that the settlement provides that PAWC will monitor and review appropriate billing data for purposes of determining whether any offset to the low-income program cost recovery is necessary, which the OCA asserted is crucial to understanding the true cost of the programs. Id. at 24-25. The OCA next notes that the settlement also includes common sense procedures for protecting low-income customers from collection activity once they begin the process of apply for PAWC's key assistance programs. Id. at 26.

Next, the OCA also noted the settlement's specific provisions regarding outreach. The OCA pointed to its witness' testimony regarding the low level of BDP enrollment among customers at 50% or below poverty level and stated that the outreach provisions in the settlement will aid in ensuring that PAWC's most vulnerable customers will have the opportunity to learn about the Company's assistance programs. Id. at 27. The OCA added that the settlement provision that commits PAWC to support the initiation of a generic proceeding to explore cross-

program enrollment opportunities among utilities in the Commonwealth would result in a less burdensome enrolment process for customers and cost savings for utility companies. Id. at 27-28.

CAUSE-PA cited to provisions of the settlement regarding the BDP, the Hardship Fund and outreach as being in the public interest. First, CAUSE-PA noted the structure of discounts agreed to in the settlement as well as the tracking and reporting that PAWC agreed to provide within one year. CAUSE-PA St. in Supp. 5-6. CAUSE-PA noted that these improvements will help lower the water and wastewater burdens of many of PAWC's low-income customers and will help with future programming changes to ensure that universal service program decisions are rooted in data and information. Id. at 7. CAUSE-PA also noted the provisions of the settlement related to the portability of the BDP enrollment within PAWC's service territory, especially as its witness Geller expressed the need for improved accessibility of the BDP for low-income customers. Id. at 8. Finally with regard to the BDP, CAUSE-PA noted that placing a dunning lock on accounts of any applicant to the BDP and arrearage management plan until an eligibility determination is made will help customers maintain services while applying for crucial assistance is in the public interest and should be approved. Id. at 9.

CAUSE-PA also noted that, with regard to the Hardship Fund, only a small number of low-income customers have been able to access PAWC Hardship Fund grants but that the settlement provides that PAWC will work with the joint petitioners and stakeholders through the advisory group to review procedures for referring customers to PAWC's Hardship Fund, including customers who are facing termination. Id. at 10. CAUSE-PA also noted the provisions of the settlement that require information to be provided in writing that will allow the advisory group to better evaluate if additional barriers to accessing the Hardship Fund exist and how to eliminate those barriers. Id. at 11. CAUSE-PA then noted the provisions of the settlement that reduce the upfront payment requirements for customers are particularly important to low-income customers who may be most at need and unable to keep up with their monthly payments. Id. at 11-12. CAUSE-PA stated this will help address arrears before they grow rather than punishing households who seek assistance before their arrearage balances accumulate up to maximum grant amounts. Id. at 12. Next, CAUSE-PA noted the provisions of the Hardship

Fund that increase the annual Hardship Fund amounts by \$150,000 and rollover any unspent funds from one program year to another. Id. at 12-13. Finally, CAUSE-PA noted the provisions regarding PAWC's use of community-based organizations to administer the Hardship Fund program. Id. at 13-14.

Lastly, CAUSE-PA cited the provisions in the settlement which improve outreach, noting that PAWC's commitments in these settlement provisions will help to improve targeted outreach to low-income customers at or below 50% of the federal poverty level who represent the most at-need customers, with the least available resources to make ends meet. Id. at 15. CAUSE-PA added that these provisions are in line with the recommendations of its witness and will help stakeholders to better evaluate the sufficiency of PAWC's outreach and education related to its low-income program. Id. Therefore, CAUSE-PA contends that these settlement provisions are just, reasonable, in the public interest and should be approved. Id.

CEO noted that the settlement increases funding for PAWC's Hardship Fund which will increase help for low-income customers to deal with the effect of the rate increase resulting from this settlement. CEO St. in Supp. 2. CEO noted that PAWC has agreed to continue to use community-based organizations it has traditionally used and in the manner in which they are used in the administration and implementation of its universal service programs. Id.

2. Disposition

The provisions in the settlement regarding PAWC's customer assistance programs will be recommended for adoption without modification because they are supported by substantial evidence and in the public interest.

As noted above, the revenue requirement agreed upon in the settlement is offset, in part, by the enhancements to PAWC's customer assistance program which will make the rate increases imposed on the residential class less burdensome. The settlement does this in a variety of ways that are in the public interest and should be approved without modification.

The three-tiered BDP will help ensure that those who need the most assistance will receive the most assistance as consumers below 50% of the federal poverty level will receive an 80% discount, consumers between 51% and 100% of the federal poverty level will receive a 65% discount and consumers between 101% and 150% of the federal poverty level will receive a 40% discount. This tiered system is appropriate and in the public interest. The settlement, however, includes additional improvements to PAWC's customer assistance programs that are in the public interest. It is significant that PAWC has agreed in the settlement to make participation in the BDP portable within the Company's service territory. Doing so will ensure that low-income customers will not have to reapply for benefits every time they move or lose benefits because of a move. It is also significant that PAWC will place a dunning lock on the accounts of any applicant for PAWC's BDP and arrearage management plan because it will also ensure that low-income customers received the benefits they are entitled to without interruption. These provisions will all help ensure that those customers who need the benefits the most will be more likely to receive these benefits.

The agreements in the settlement regarding the Hardship Fund are also in the public interest and support adopting the settlement in its entirety without modification. As with the BDP, these improvements will both increase the number of people who benefit from the Hardship Fund as well the benefit received. For example, PAWC's agreement to increase its annual contribution to the Hardship Fund in the amount of \$150,000 and continue to rollover unspent dollars will increase the amount of benefit available for PAWC's customers. PAWC's agreement to provide a written description of its enrollment process is also in the public interest because it will increase the number of PAWC's customers who will benefit from the program. Again, these provisions will all help ensure that those customers who need the benefits the most will be more likely to receive these benefits.

Finally, the provisions in the settlement regarding PAWC's low-income customer assistance programs are also in the public interest because they provide increased outreach efforts where there are higher percentages of customers with income at or below 50% of the federal poverty level. It is also significant that PAWC has agreed to support a petition requesting the institution of a generic proceeding to explore cross-program enrollment opportunities among

utilities throughout the Commonwealth. These provisions are in the public interest because they will increase enrollment in PAWC's low-income customer assistance programs and also increases the benefits those enrolled in the program receive.

As a result, the provisions in the settlement regarding PAWC's customer assistance programs are in the public interest, supported by substantial evidence and will be recommended for approval without modification.

vii. Service Quality and Customer Commitments (Joint Petition paragraphs 57-67)

1. Position of the Parties

PAWC noted the several specific and concrete actions PAWC agreed to undertake to address the service-related issues raised by OCA witnesses. In particular, PAWC noted its agreement to construct water mains and undertake other projects, some without customer contributions, to address health and safety concerns. PAWC St. in Supp. 40-41. PAWC also noted its agreement under the settlement to have all storage tanks over 15-years old inspected by an experienced tank inspection contractor and PAWC will maintain those tanks in accordance with the contractor's recommendations, where reasonable. Id. at 41. PAWC also noted its agreement to continue to exercise all of its isolation valves on a 5-year cycle and inspect critical valves annually and provide a searchable electronic log of its inspections. Id. at 42. With regard to fire hydrants, PAWC noted that it agreed under the settlement to mark any fire hydrants that cannot provide the minimum fire flow with the National Fire Protection Association approved color indicating flow level. Id. at 43. PAWC also noted its agreement to revise its tariffs to exempt customers confirmed to be eligible for the BDP from security deposit requirements. Id. at 46.

PAWC then noted the various provisions of the settlement regarding customer service. In particular, PAWC agreed to report on its progress in reaching several Company performance objectives in call center performance, customer complaint activity and customer

satisfaction. Id. at 44. PAWC agreed in the settlement to continue its current methods for gathering customer satisfaction information and provide quarterly progress reports on achieving the objective of an 80% customer satisfaction rate. Id. at 46. PAWC also noted its agreement to, within 90 days after a final order in this proceeding, update its termination notices to inform customers of the right to make a verbal declaration of a medical emergency, among other things. Id. at 46-47.

I&E noted that during the public input hearings in this case, there was a significant amount of testimony from members of the public who were seeking service from PAWC through the enumerated main extensions on the basis that their water sources were unfit for household use and posed health concerns to humans and animals. I&E St. in Supp. 33. Although I&E did not take a formal position regarding these matters as proposed by the OCA, I&E nonetheless supports PAWC's main extension commitments because they will protect the health and safety of the public, they apply least-cost principles in design and construction and provide an additional layer of protection to ratepayers who will shoulder these costs. Id. at 34. I&E also noted the provisions in the settlement regarding storage tanks, isolation valves and fire hydrants as being in the public interest because the commitments are consistent with ensuring the integrity of PAWC's storage tanks and system and therefore promote PAWC's ability to provide safe, reliable, and adequate service to customers. Id. at 34-36.

Finally, I&E also noted its support of the provisions in the settlement regarding listing customer complaints and disputes, customer service and security deposit. Again, I&E did not present testimony on these issues but supports these terms because they will ensure that the ratepayer's complaints are tracked, adequately addressed, and resolved in a manner that is consistent with PAWC's obligation to provide safe, adequate, and reliable service to jurisdictional ratepayers. Id. at 36-37. This includes reporting on a quarterly basis a listing of performance objectives focusing on service quality and customer service objectives. Id. at 37. With regard to terms pertaining to security deposits, I&E noted that this provision is in the public interest because it is respectful to the Commission's regulatory prohibition. Id. at 37-38.

The OCA noted that the settlement is in the public interest and should be approved noting that PAWC and the OCA have agreed to work together to develop reasonable timeframes in which to build main extensions to three service areas under Tariff Rule 27.1(F), which authorizes main extensions to be installed without customer contributions subject to Commission approval, in order to address health and safety concerns. OCA St. in Supp. 28-30. The OCA provided extensive detail from the public input hearings in support of why these three main extensions are in the public interest and noted that PAWC agrees to have signed contracts in place and start construction no later than the date it files its next base rate case. Id. The OCA submitted that PAWC's commitment to address the health and safety concerns in these three areas is a substantial benefit of the settlement. Id. at 30.

The OCA also noted the provision in the settlement that requires PAWC to implement recommendations from OCA witness Fought regarding storage tank inspection and maintenance, as well as isolation valves, as helping to ensure that consumers continue to have access to clean water from PAWC storage tanks and delay the need for tank replacements and to reduce the number of customers impacted by any future work performed on the system. Id. at 31. Similarly, the OCA also noted PAWC's agreement to mark any fire hydrants that cannot provide the minimum necessary fire flow of 500 gallons per minute as an important protection for quality of service and safety that is also in the public interest. Id. at 31-32.

The OCA also noted in its statement in support of the settlement the various customer service provisions in the complaint that are in the public interest. These include PAWC agreeing to maintain a log of customer service disputes in a live Excel document that includes information such as customer service address, categories for the dispute and the disposition of each complaint where possible. Id. at 32. The settlement also contains provisions that ensure that customer service representatives who handle calls from Pennsylvania customers are trained and proficient on Pennsylvania-specific statutes and regulations, can clarify tariffs that help protect applicants' and customers' rights while determining their responsibilities for payment of outstanding debt, provide for ongoing reporting to evaluate whether PAWC is consistently meeting the objectives described in the settlement, update termination notices with specific language regarding members of a household who are seriously ill and updates to bill

disclosures to more accurately inform customers of potential fees. Id. at 33-35. Finally, the OCA noted the provisions in the settlement that ensure that applicants and existing customers are advised of their rights regarding the payment of security deposits. Id. at 35.

CAUSE-PA noted that the settlement provides that PAWC will amend its Water Tariff Rules 7.3(c) and Wastewater Tariff Section G.3 to add language that PAWC will not charge a security deposit to a customer or applicant for service if the customer or applicant for service is confirmed to be eligible for PAWC's BDP. CAUSE-PA St. in Supp. 16. CAUSE-PA noted that this provision and the provision modifying security deposit procedures for residential customers clarify that low-income customers who are confirmed to be eligible for the BDP will not be assessed a security deposit. Id. at 16-17. These provisions will also ensure that low-income customers are not facing unnecessary and improper barriers to establishing and maintaining water and wastewater services in the future. Id. at 17. CAUSE-PA contends that these provisions are just, reasonable and in the public interest and therefore should be approved. Id.

2. Disposition

The provisions in the settlement regarding service quality will be recommended for adoption without modification because they are supported by substantial evidence and in the public interest. Here, again, the settlement provides significant benefits that help to offset some of the burden created by the agreed upon revenue requirement.

To begin, PAWC has agreed to extend its water mains to areas within its service territory that are unserved and beset by public health and safety concerns without requiring customer contributions which often times prohibit such needed projects from occurring. These are vital public benefits, costing millions of dollars, that not only allow greater access to safe and reliable water service, but also help to provide public fire protection, among other things. There is substantial public input testimony evidence in the record of this proceeding that demonstrates the need within PAWC's service territory for access to public water. These projects that PAWC agreed to undertake as part of this settlement will take great strides toward ensuring that those

needs are met and will be done applying least cost principles with contracts in place prior to the Company's next base rate proceeding.

The settlement also includes other provisions that are in the public interest and support adopting the settlement in its entirety and without modification that pertain to service quality and customer service. The provisions in the settlement regarding storage tanks, isolation valves and fire hydrants are also in the public interest because they will help to ensure PAWC's ability to provide safe, adequate and reliable service. Maintaining the system by inspecting storage tanks that are over 15 years old and exercising isolation valve on a five-year cycle will help ensure that the system operates as expected at all times. Certainly, marking fire hydrants that cannot provide minimum fire flow using approved color codes indicating flow level is also in the public interest so that fire fighters can respond appropriately during emergencies.

Finally, PAWC has agreed in the settlement to several provisions regarding customer complaints, customer service and security deposits. These provisions are in the public interest because they will improve PAWC's interactions with its customers and the overall experience for customers. Creating a list of computer complaints and disputes in live Excel format is in the public interest because it will help identify areas of concern or frequent problems that could be addressed so those problems are eliminated. Similarly, the service quality metrics agreed to in the settlement are in the public interest because they will make it easier for customers to interact with the Company and have their problem resolved or questions answered. These efforts are in the public interest. Likewise, the agreement to not require a security deposit if the customer or applicant is income eligible for PAWC's BDP is in the public interest because it will help ensure that low-income customers are able to access PAWC's system at just and reasonable rates in a timely manner.

As a result, the agreements in the settlement regarding service quality and customer service commitments are in the public interest, supported by substantial evidence and will be recommended for approval without modification.

viii. Tariff Changes (Joint Petition paragraphs 70-71)

1. Position of the Parties

PAWC noted that the settlement acknowledges that revised limited liability provisions and changes to permit PAWC to charge flat rates to wastewater customers metered by non-Company water providers have been withdrawn and are not reflected in the proposed tariffs in the Joint Petition. PAWC St. in Supp. 48.

I&E noted that it took no position regarding these issues but supports the terms because they were necessary for a global resolution of this case. I&E St. in Supp. 38.

The OCA noted that the settlement is in the public interest and should be approved because PAWC has agreed to withdraw its proposed modifications to its limitations of liability provisions and keep its current provisions. OCA St. in Supp. 36. The OCA noted that the PAWC's proposed modifications were not consistent with Commission directives in the 2020 base rate case and the Commission's Policy Statement on limitation of liability. Id. The OCA also noted that PAWC agreed to withdraw its proposed change to its tariff that would allow it to move to flat rates customers who are currently charged metered rates. Id. The OCA noted that PAWC's proposed change that actual utility usage would have no impact on rates and price signals encouraging conservation would be eliminated. Id. The OCA added that this would have been contrary to Commission policy and PAWC's commitment to conservation. Id.

2. Disposition

The provisions in the settlement regarding the tariff changes will be recommended for adoption without modification because they are supported by substantial evidence and in the public interest.

It is in the public interest that PAWC's tariff provisions regarding its limitation of liability be consistent with the Commission's Policy Statement on the issue and PAWC's proposed changes were not consistent. Therefore, withdrawing the proposed changes is in the

public interest. Similarly, withdrawing the proposed changes that did not provide price signals encouraging conservation is also in the public interest. Although these do not appear to have been a major issue in this case, it is in the public interest that they are addressed here when PAWC's tariffs are being considered. Promoting conservation is in the public interest.

As a result, the agreements in the settlement regarding tariff changes are in the public interest, supported by substantial evidence and will be recommended for approval with modification.

ix. Industrial Pre-Treatment Charges (Joint Petition paragraphs 72-75)

1. Position of the Parties

PAWC noted that, under the settlement, the Company agreed to reduce its proposed industrial loading fee for BOD5 for the Coatesville district from \$0.35 to \$0.20 per pound above domestic and make other modifications to the industrial pretreatment program (IPP) terms in its wastewater tariff. PAWC St. in Supp. 49. PAWC also noted that it agreed to make further commitments related to updating its IPP surcharges in its next base rate case. Id.

I&E noted that it did not submit any testimony regarding the IPP charges but recognizes that the issue was fully vetted and supports the term as necessary for a global resolution of this case. I&E St. in Supp. 38.

Victory Brewing noted that the settlement is in the public interest and should be approved because, by reducing the BOD5 fees to \$0.20 per pound in this proceeding, PAWC has substantially mitigated the effect of the increases in IPP surcharges on Victory Brewing. Victory St. in Supp. 8. Victory Brewing added that the phase-in of the IPP increases properly reflects the principle of gradualism and the requirement to conduct a cost of service study ensures that Victory Brewing will have ample time to evaluate the cost basis and offer alternative approaches through an expert witness. Id. Victory Brewing also references other cost savings it will realize

now and in the future in support of its overall position that the settlement provisions regarding IPP surcharges are in the public interest and should be approved without modification. Id.

2. Disposition

The provisions in the settlement regarding IPP charges will be recommended for adoption without modification because they are supported by substantial evidence and in the public interest.

Similar to the provisions in the settlement regarding tariff changes, it does not appear that these provisions in the settlement were widely contested in this proceeding but, nonetheless, it is in the public interest that these issues be addressed when considering PAWC's tariffs. In particular, Victory Brewing is a large volume user and it is in the public interest that the issue raised by Victory Brewing in this proceeding have been resolved in the settlement. It is likely that the IPP charges also affect other such customers and it is important and in the public interest that such customers pay just and reasonable rates. This includes the agreement in the settlement that PAWC will provide a new cost of service study addressing this issue in its next base rate case. As I&E noted, to the extent that the issue was fully vetted and all of the Joint Petitioners agree to these terms as part of the overall settlement, it is in the public interest to address these issues in this proceeding as part of this settlement.

As a result, the agreement in the settlement regarding IPP charges is in the public interest, supported by substantial evidence and will be recommended for approval without modification.

x. Classification of Dempsey Uniform and Linen Supply Customer Account
(Joint Petition paragraph 76)

1. Position of the Parties

PAWC noted that it agreed to classify Dempsey Uniform Linen and Supply as an industrial customer. PAWC St. in Supp. 49-50.

I&E noted that it took no position on this issue but supports the reclassification as part of facilitating a global resolution of this case. I&E St. in Supp. 38-39. I&E added that it is in the public interest for PAWC to honor its tariff terms and conditions and that PAWLUG demonstrated that Dempsey best met the industrial customer classification. Id. at 39.

PAWLUG noted that the settlement is in the public interest and should be approved because it proposed that Dempsey be reclassified as an industrial rather than a commercial customer pursuant to PAWC's Tariff Rule No. 26. PAWLUG St. in Supp. 4.

2. Disposition

The provision in the settlement regarding Dempsey will be recommended for adoption without modification because it is supported by substantial evidence and in the public interest.

Similar to the provisions in the settlement regarding tariff changes and IPP charges, it is in the public interest to address issues regarding PAWC's tariff in a proceeding such as this. To the extent that a commercial customer is not properly classified, it is in the public interest to have all customers appropriately classified. It is reasonable that such reclassification occur within the context of this proceeding as part of the overall settlement agreement.

As a result, the agreement in the settlement to reclassify Dempsey is in the public interest, supported by substantial evidence and will be recommended for approval without modification.

xi. Effective Date (Joint Petition paragraph 77)

1. Position of the Parties

PAWC noted that the increase in revenues negotiated by the Joint Petitioners reflects the agreement that the settlement rates should become effective as of January 28, 2023. PAWC St. in Supp. 50.

I&E noted that the effective date of the settlement rates of January 28, 2023 will facilitate orderly implementation of new rates for PAWC and ensure that it is provided with the necessary revenue to meet its obligations to maintain adequate, efficient, safe and reasonable service and facilities. I&E St. in Supp. 39.

2. Disposition

The provision in the settlement regarding the effective date of the new rates will be recommended for adoption without modification because it is in the public interest.

As noted above, PAWC originally filed the tariff changes instituting this proceeding on April 29, 2022 and, on June 16, 2022, the Commission suspended both filings by operation of law until January 28, 2023 pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), unless permitted by the Commission to become effective at an earlier date. As a result, it is possible that the Commission could have allowed the agreed upon rates to become effective earlier than January 28, 2023. Doing so would have resulted in a cost to ratepayers of approximately \$11.5 million per month ($\$138,000,000 / 12 = \$11,500,000$) which would have benefited PAWC. To the extent that the parties agree to implement the new rates effective January 28, 2023, prevents ratepayers from having to pay the higher rates sooner and is

therefore a public benefit. In addition, as I&E noted, an effective date of the settlement rates of January 28, 2023 will facilitate orderly implementation of new rates for PAWC and ensure that it is provided with the necessary revenue to meet its obligations to maintain adequate, efficient, safe and reasonable service and facilities. This is also in the public interest.

As a result, the agreement in the settlement regarding the effective date of the new rates is in the public interest and will be recommended for approval without modification.

c. Conclusion

In conclusion and as discussed more specifically above, taken as a whole, the settlement is in the public interest, consistent with applicable precedent and should be supported without modification. *See, Lancaster, Warner*. The agreed upon revenue requirement comprises approximately 80% of the amount PAWC originally requested. This revenue requirement, however, is coupled with significant consumer benefits. These benefits include withdraw of the proposed RSM, delayed implementation in the DSIC, additional reporting and other requirements to ensure accuracy of the rates, three main extension projects, customer service commitments, safety commitments, and significant improvements to PAWC's low-income customer service programs that will not only increase the number of customers who will receive the benefits but will also increase the benefits some of them will receive. This settlement is in the public interest because it represents a well-rounded agreement amongst multiple parties, with varying interests, on a number of seemingly conflicting issues.

In addition to all of these individual factors that support approving the settlement as being in the public interest, the settlement is also in the public interest because of general benefits of agreeing to a settlement. The settlement will save the parties from expending substantial time and expense involved with further litigation on the settled issues. Although the parties exchanged extensive discovery, pre-served a substantial number of pieces of written testimony and held one day of hearings, additional costs could have included lengthy hearings, briefs, exceptions and possible appeals. Avoiding such expenditures minimizes the costs that

might ultimately be passed on to the ratepayers, and also conserves the resources of all other parties involved in these proceedings and Commission resources as well.

The fact that the parties have engaged in extensive discovery and other litigation-related efforts in order to properly investigate and resolve the issues presented also supports finding that the settlement is in the public interest. These efforts demonstrate that the initial filings and the responses to the filings have been thoroughly vetted and considered by all concerned parties. The settlement is also the result of extensive and fruitful negotiations between all the parties and represents what each party believes to be a fair and reasonable compromise. This is of particular note as the parties in this matter have diverse and competing interests but were able to reach a settlement on most of the issues.

In addition, the settlement is supported by substantial evidence. On appeal, decisions of the Commission will be examined to determine if they are supported by substantial evidence. 2 Pa.C.S. § 704. The parties moved into the record via stipulation dozens of pieces of pre-served testimony with accompanying exhibits and verifications. The inclusion of that pre-served testimony supports adopting the settlement as being in the public interest.

As a result, the settlement will be recommended for approval without modification because it is in the public interest, consistent with the Public Utility Code and supported by substantial evidence. The parties are commended for obtaining a complete resolution of many of the issues in this case.

VII. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 701, 1301 and 1308(d).

2. PAWC's rates must be just and reasonable and cannot result in unreasonable rate discrimination. 66 Pa.C.S. §§ 1301, 1304.

3. Pursuant to the just and reasonable standard, a utility may obtain “a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment.” City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm’n, 793 A.2d 978, 982 (Pa. Cmwlth. 2002).

4. Rates established by the Commission, or any other utility regulatory authority, are not “just and reasonable” unless they are within the zone of reasonableness determined by reference to the costs a utility incurs to furnish public utility service and a return that satisfies applicable legal and Constitutional standards. Permian Basin Area Rate Cases, 390 U.S. 747, 770 (1968) (“any rate selected . . . *from* the broad zone of reasonableness . . . cannot properly be attacked as confiscatory.”) (Emphasis added).

5. PAWC, as the utility requesting the rate increase, has the burden of establishing the justness and reasonableness of every element of its requested rate increase. 66 Pa.C.S. §§ 315(a), 1301, and 1308(e).

6. While Section 315(a) provides that a utility has the burden to prove that proposed rates are just and reasonable, it “cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose.” Pa. Pub. Util. Comm’n v. Columbia Gas of Pa., Inc., Docket No. R-2020-3018835 (Opinion and Order entered Feb. 19, 2021) at 12.

7. A party proposing an adjustment to a ratemaking claim bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment, and 66 Pa.C.S. § 332(a) establishes a burden of proof separate from that in 66 Pa.C.S. § 315 for those entities that propose a rule or order. NRG Energy, Inc. v. Pa. Pub. Util. Comm’n, 233 A.3d 936 (Pa. Cmwlth. 2020).

8. PAWC has sustained its burden of proving that it should be granted an increase in rates as outlined in the settlement and subject to all the terms and conditions it contains. 66 Pa.C.S. § 1308(d).

9. The Commission has broad authority to consider a utility's customer service and quality of service and is required to evaluate the "efficiency, effectiveness and adequacy of service" in reviewing existing and proposed rates. 66 Pa.C.S. §§ 523(a), 1501.

10. The Commission has authority to prescribe just and reasonable standards and practices to be furnished by a utility and to require changes and improvements, as necessary to make such service and facilities adequate, efficient, safe, and reasonable. 66 Pa.C.S. §§ 1501, 1504.

11. In order to approve a settlement, the Commission must determine that the proposed terms and conditions, viewed in the context of the settlement as a whole, are in the public interest. See Pa. Pub. Util. Comm'n v. CS Water & Sewer Ass'n, 74 Pa.P.U.C. 767 (1991); Pa. Pub. Util. Comm'n. v. Philadelphia Elec. Co., 60 Pa.P.U.C. 1 (1985).

12. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. Bluefield Water Works and Improvement Co. v. Pub. Serv. Comm'n of W. Va., 262 U.S. 679 (1923).

13. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. Bluefield Water Works and Improvement Co. v. Pub. Serv. Comm'n of W. V., 262 U.S. 679 (1923).

14. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. Bluefield Water Works and Improvement Co. v. Pub. Serv. Comm'n of W. Va., 262 U.S. 679 (1923).

15. A rate of return may be too high or too low by changes affecting opportunities for investment, the money market and business conditions generally. Pa. Pub. Util. Comm’n v. PECO Energy Company – Elec. Div., Docket No. R-2015-2468981 (Opinion and Order entered Dec. 17, 2015).

16. The Commission’s policy and precedent embodied in its regulation at 52 Pa. Code § 5.231 and its Policy Statement on Settlements at 52 Pa. Code § 69.401 encourage parties to resolve contested proceedings by settlement.

17. In its Policy Statement, the Commission stated that “the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.” 52 Pa. Code § 69.401.

18. Rate increase proceedings are expensive to litigate, and the reasonable cost of such litigation is an operating expense recovered in the rates approved by the Commission. Partial or full settlements allow the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and replies to exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission’s decision, yielding significant expense savings for the company’s customers. For this and other sound reasons, settlements are encouraged by long-standing Commission policy. Pa. Pub. Util. Comm’n v. PECO Energy Co., Docket No. R-2018-3000164 (Opinion and Order entered Dec. 20, 2018).

19. The rates, terms and conditions of the Joint Petition are just, reasonable and in the public interest and satisfy all of the Commission’s criteria for approval of a settlement. 52 Pa. Code § 69.401.

VIII. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That Pennsylvania-American Water Company and Pennsylvania-American Water Company (Wastewater) shall not place into effect the rates, rules, and regulations contained in Water Tariff Supplement No. 35 and Wastewater Tariff Supplement No. 34 regarding its cost recovery base rates for water and wastewater service revenues within its service territory filed on April 29, 2022 at the above referenced docket.
2. That the Joint Petition for Settlement of Rate Investigation filed on October 11, 2022 at the above referenced docket is granted and the Settlement is approved, without modification.
3. That Pennsylvania-American Water Company and Pennsylvania-American Water Company (Wastewater) are authorized to file tariffs or tariff supplements containing rates, rules and regulations, consistent with the findings herein, and Appendices attached to the Joint Petition for Settlement, to produce, on a total Company basis, an annual increase in revenues of \$138 million for service rendered on and after January 28, 2023.
4. That the changes in rules, regulations and terms of service set forth in the tariffs submitted as Appendices A and B to the Joint Petition are lawful, just and reasonable, and are also approved.
5. That Pennsylvania-American Water Company and Pennsylvania-American Water Company (Wastewater)'s tariffs and/or tariff supplements may be filed to become effective on at least one day's notice after entry of the Commission's Order approving the Settlement for the rates effective on and after January 28, 2023.

6. That the formal complaints of the Office of Consumer Advocate at Docket No. C-2022-3032485 and at Docket No. C-2022-3032487, the Office of Small Business Advocate at Docket No. C-2022-3032331 and at Docket No. C-2022-3032346, the Pennsylvania American Water Large Users Group at Docket No. C-2022-3033215 and at Docket No. C-2022-3033216, and Victory Brewing Company at Docket No. C-2022-3033275 and at Docket No. C-2022-3033282 are deemed satisfied.

7. That the formal complaints of James Jackson at Docket No. C-2022-3033593 and at Docket No. C-2022-3033594 are denied.

8. That the formal complaints of Jerome and Sheryl Rodzinak at Docket No. C-2022-3032623, Jeff Henry at Docket No. C-2022-3032313, Mark Henderson at Docket No. C-2022-3032315, Liza Tunzi at Docket No. C-2022-3032317, Keith Sauer at Docket No. C-2022-3032345, Ivan Figueroa at Docket No. C-2022-3032376, Carl Meyer at Docket No. C-2022-3032384, James Pagel at Docket No. C-2022-3032489 and at Docket No. C-2022-3032486, Stephen Nardi at Docket No. C-2022-3032497, William Rissmiller at Docket No. C-2022-3032499 and 3032500, Ramkrishna Sen at Docket No. C-2022-3032501, Simeon Dobrev and Poli Iordanova at Docket No. C-2022-3032511 and at Docket No. C-2022-3032513, Zachary O'Brien at Docket No. C-2022-3032547, Maria Elena Selznick at Docket No. C-2022-3032569 and at Docket No. C-2022-3032578, Earl Knight at Docket No. C-2022-3032620, Bridget Salkowski at Docket No. C-2022-3032652, Sabatini Monatesti at Docket No. C-2022-3032657 and at Docket No. C-2022-3032658, Barbara Cetnarowski at Docket No. C-2022-3032659, Tracy Rutherford at Docket No. C-2022-3032662, Meade Buffington at Docket No. C-2022-3032670, Nathan Woodford at Docket No. C-2022-3032693, Trish Lubarda at Docket No. C-2022-3032722 and at Docket No. C-2022-3032723, Sean Seidel at Docket No. C-2022-3032730 and at Docket No. C-2022-3032744, Amanda Barto-Ealy at Docket No. C-2022-3032771, Latrese Laporte at Docket No. C-2022-3032819 and at Docket No. C-2022-3032830, Palermo at Docket No. C-2022-3032963, Michael Pope at Docket No. C-2022-3032969, Samantha Maize at Docket No. C-2022-3032970, Kathleen Jeffries at Docket No. C-2022-3032988, LeRoy James Watters, III, at Docket No. C-2022-3032999, Hao Larry Tang at Docket No. C-2022-3033043, Darlene Nychey at Docket No. C-2022-3033046 and at Docket No.

C-2022-3033048, Paul J. Walaski at Docket No. C-2022-3033057, Jessica Weiss at Docket No. C-2022-3033080, Jorge Salazar at Docket No. C-2022-3033085 and at Docket No. C-2022-3033206, Frank Piccola at Docket No. C-2022-3033110 and at Docket No. C-2022-3033111, Lisa Inmon at Docket No. C-2022-3033119, Judith Garofolo at Docket No. C-2022-3033211 and at Docket No. C-2022-3033213, Walter Yourkavitch at Docket No. C-2022-3033212 and at Docket No. C-2022-3033217, Diane Michalowski at Docket No. C-2022-3033218 and at Docket No. C-2022-3033222, Ellen Katz at Docket No. C-2022-3033231 and Samantha Wesner at Docket No. C-2022-3033256, Xin Xu at Docket No. C-2022-3033360, Carla Seidel at Docket No. C-2022-3033316 and at Docket No. C-2022-3032744, Christine Nicholson at Docket No. C-2022-303337 and Karla Hayne at Docket No. C-2022-3033586 are dismissed.

9. That upon Commission approval of the tariffs or tariff supplements filed by Pennsylvania-American Water Company and Pennsylvania-American Water Company (Wastewater) in compliance with the Commission's Opinion and Order, the investigation at Docket Nos. R-2022-3031672 and R-2022-3031673 be marked closed.

Dated: November 8, 2022

/s/
Joel H. Cheskis
Deputy Chief Administrative Law Judge

Appendix A
List of Parties' Exhibits and Testimony Admitted into the Record

PENNSYLVANIA AMERICAN WATER COMPANY

PAWC Statement No. 1	Direct Testimony of Ashley E. Everette
▪ PAWC Exhibit 3-A	Revenue Deficiency and Adjustments
▪ PAWC Exhibit 3-B	Operating Expenses
▪ PAWC Exhibit 3-C	Plant Additions and Retirements, Excl. Property, M&S, Acquisition Adj., COVID-19 Emergency Response, Other Rate Base Claims, TCJA Stub Period, Citizens Utilities CAC/CIAC Adj., Post In-SVC AFUDC & Deferred Depr., and Taxes Other Than Income Supporting Data
▪ Schedule AEE-1	Summary of Rate Increase Request
▪ Schedule AEE-2	Overview of Revenue Requirements and Revenues at Present and Proposed Rates
PAWC Statement No. 1 Supplemental	Supplemental Direct Testimony of Ashley E. Everette
▪ Schedule AEE-3	Pension Expense
▪ Schedule AEE-4	Other Post-Employment Benefit Expense
PAWC Statement No. 1-R	Rebuttal Testimony of Ashley E. Everette
▪ PAWC Exhibit 3-A Revised	Revised Combined Water and Wastewater Revenue Requirement
PAWC Statement No. 2	Direct Testimony of James Runzer (Corrected Version)
PAWC Statement No. 2-R	Rebuttal Testimony of James Runzer
▪ PAWC Exhibit JR-1R	PAWC Main Break Rates (2009-2020)
▪ PAWC Exhibit JR-2R	PAWC Water Quality Standard Operating Procedures
▪ PAWC Exhibit JR-3R_Confidential	2018 General Rate Case Total Remuneration Study – American Water Works Company (April 11, 2018)
PAWC Statement No. 3	Direct Testimony of Bruce W. Aiton
PAWC Statement No. 3-R	Rebuttal Testimony of Bruce W. Aiton

- PAWC Exhibit BWA-1R

Main Extension Evaluation Process – Bona Fide Service Applicants – Tariff Rule 27

PAWC Statement No. 4

- Schedule SDG-1

Direct Testimony of Stacey D. Gress

Allocation Factors for Common Costs to be Allocated from Water to Wastewater

PAWC Statement No. 4-R

- PAWC Exhibit SDG-1R
- PAWC Exhibit SDG 2R
- PAWC Exhibit SDG-3R
- PAWC Exhibit SDG-4R

Rebuttal Testimony of Stacey D. Gress

Creekside Homeowner's Acquisition Costs

COVID-19 Emergency Response Amortizations

Depreciation Study – York Wastewater Operations as of December 31, 2022

PAWC Supplement No. 34 to Tariff Wastewater PA P.U.C. No. 16

PAWC Statement No. 5

Direct Testimony of Lori N. O'Malley

PAWC Statement No. 5-R

Rebuttal Testimony of Lori N. O'Malley

- PAWC Exhibit LNO-1R
- PAWC Exhibit LNO-2R_Confidential
- PAWC Exhibit LNO-3R
- PAWC Exhibit LNO-4R
- PAWC Exhibit LNO-5R
- PAWC Exhibit LNO-6R

Supporting Data for PAWC Revised Claim for Salaries, Wages and Related Benefits

Pittsburgh, PA District and United Steel Workers of America – Collective Bargaining Agreement

Summary of Pro Forma Adjustments to Service Company- Other Expenses

Breakdown of Historic Service Company O&M Costs

Supporting Calculations for Adjustment to Miscellaneous Expense

Breakdown of Historic PAWC O&M Costs

PAWC Statement No. 6

Direct Testimony of Thomas Markward

PAWC Statement No. 6-R

Rebuttal Testimony of Thomas Markward

- PAWC Exhibit TM-1R
- PAWC Exhibit TM-2R

PAWC Water Operations – Change in Consumption

PAWC Water Operations Segment – Purchased Power by Vendor – 2021 Actual Through 2023 Forecast

- PAWC Exhibit TM-3R

PAWC Chemical Expense Workpaper – 12 Month Actual Ending December 2021 to December 2023

- PAWC Exhibit TM-4R

PAWC Chemical Supplier Master Price File as of August 2022

PAWC Statement No. 7

Direct Testimony of Bernard J. Grundusky, Jr.

PAWC Statement No. 7-R

Rebuttal Testimony of Bernard J. Grundusky, Jr.

- PAWC Exhibit BJG-1R

PAWC Response to OSBA-01-16 Attachment A re: York Area Regional Sewer Authority

- PAWC Exhibit BJG-2R

PAWC Response to OSBA-01-16 Attachment B – PAWC Supplemental Testimony and Exhibits in Docket No. A-2021-3024681 *et al.*

- PAWC Exhibit BJG-3R

PAWC Response to OSBA-01-16 Attachment C - Direct Testimony of York Water Company in Docket No. A-2021-3024681 *et al.*

- PAWC Exhibit BJG-4aR

Water Treatment and Conveyance Agreement Between York Township and PAWC and PA PUC Certificate of Filing dated 6/22/22

- PAWC Exhibit BJG-4bR_Confidential

Articles of Agreement Between PAWC and Springettsbury Township dated 2/24/22 and PA PUC Certificate of Filing dated 6/22/22

- PAWC Exhibit BJG-5R

York County Pennsylvania Township Maps

- PAWC Exhibit BJG-6R

Office of Small Business Advocate Responses to PAWC Set I Interrogatories dated 12/27/21 in Docket No. A-2021-3024681

PAWC Statement No. 7-RJ

Rejoinder Testimony of Bernard J. Grundusky, Jr.

- PAWC Exhibit BJG-1RJ_Confidential

Asset Purchase Agreement By and Between Royersford Borough and PAWC (Excerpt)

- PAWC Exhibit BJG-2RJ

Water Asset Purchase Agreement By and Between Valley Township and PAWC (Excerpt)

- PAWC Exhibit BJG-3RJ

Sanitary Sewer Asset Purchase Agreement By and Between Valley Township and PAWC (Excerpt)

- PAWC Exhibit BJG-4RJ

West End System Asset Purchase Agreement By and Between Township of Foster and PAWC

(Excerpt)

- PAWC Exhibit BJG-5RJ

Asset Purchase Agreement By and Among York City Sewer Authority, the City of York and PAWC (Excerpt)

- Verification

PAWC Statement No. 8

Direct Testimony of Melissa Ciullo

PAWC Statement No. 8-R

Rebuttal Testimony of Melissa Ciullo

PAWC Statement No. 9

Direct Testimony of J. Cas Swiz

- PAWC Exhibit JCS-1

COVID-19 Regulatory Asset Deferral as of February 28, 2022

PAWC Statement No. 9-R

Rebuttal Testimony of J. Cas Swiz

- PAWC Exhibit JCS-1R

COVID-19 Regulatory Asset Deferral as of July 31, 2022

PAWC Statement No. 10

Direct Testimony of Charles Rea

- PAWC Exhibit CBR-1
- PAWC Exhibit CBR-2
- PAWC Exhibit CBR-3
- PAWC Exhibit CBR-4
- PAWC Exhibit CBR-5
- PAWC Exhibit CBR-6
- PAWC Exhibit CBR-7
- PAWC Exhibit CBR-8
- PAWC Exhibit CBR-9
- PAWC Exhibit 10-A
- PAWC Exhibit 10-B
- PAWC Exhibit 10-C

Proposed Water Rate Design

Proposed Wastewater Rate Design

Water Service Affordability Analysis

Wastewater Service Affordability Analysis

Residential Usage Analysis

Commercial Usage Analysis

Municipal Usage Analysis

National Association of Regulatory Utility Commissioners Resolution

Revenue Stabilization Mechanism Projected Results

PAWC -Water Operations
Summary Of Application of Present and Proposed Rates - 12 Months Ending December 31, 2023

PAWC -Wastewater SSS Operations
Summary Of Application of Present and Proposed Rates - 12 Months Ending December 31, 2023

PAWC -Royersford Wastewater Operations
Summary Of Application of Present and Proposed

Rates - 12 Months Ending December 31, 2023

- PAWC Exhibit 10-D

PAWC -Wastewater CSS Operations
Summary Of Application of Present and Proposed
Rates - 12 Months Ending December 31, 2023

- PAWC Exhibit 10-E

PAWC -Upper Pottsgrove Wastewater Operations
Summary Of Application of Present and Proposed
Rates - 12 Months Ending December 31, 2023

- PAWC Exhibit 10-F

PAWC -York Wastewater Operations
Summary Of Application of Present and Proposed
Rates - 12 Months Ending December 31, 2023

PAWC Statement No. 10-R

- PAWC Exhibit CBR-1R
- PAWC Exhibit CBR-2R
- PAWC Exhibit CBR-3R
- PAWC Exhibit CBR-4R
- PAWC Exhibit 10-A-Revised
- PAWC Exhibit 10-B-Revised
- PAWC Exhibit 10-D-Revised

Rebuttal Testimony of Charles Rea

Summary of Present Rate Revenue Modifications

PAWC Response to Distribution Rate
Considerations in 52 Pa. Code § 69.3302.

Revisions to Response to FRII.02 (Redacted and
Confidential Versions)

Revisions to Response to FRII.09

PAWC -Water Operations
Summary Of Application of Present and Proposed
Rates - 12 Months Ending December 31, 2023
(Redacted and Confidential Versions)

PAWC -Wastewater SSS Operations
Summary Of Application of Present and Proposed
Rates - 12 Months Ending December 31, 2023

PAWC -Wastewater CSS Operations
Summary Of Application of Present and Proposed
Rates - 12 Months Ending December 31, 2023

PAWC Statement No. 11

- PAWC Exhibit 11-A
- PAWC Exhibit 11-B
- PAWC Exhibit 11-C
- PAWC Exhibit 11-D

Direct Testimony of John J. Spanos

Water Operations - 2021 Depreciation Study as of
December 31, 2021

Water Operations - 2022 Depreciation Study as of
December 31, 2022

Water Operations - 2023 Depreciation Study as of
December 31, 2023

Wastewater SSS General Operations - 2021
Depreciation Study as of December 31, 2021

- PAWC Exhibit 11-E Wastewater SSS General Operations - 2022 Depreciation Study as of December 31, 2022
- PAWC Exhibit 11-F Wastewater SSS General Operations - 2023 Depreciation Study as of December 31, 2023
- PAWC Exhibit 11-G Royersford Wastewater Operations - 2021 Depreciation Study as of December 31, 2021
- PAWC Exhibit 11-H Royersford Wastewater Operations - 2022 Depreciation Study as of December 31, 2022
- PAWC Exhibit 11-I Royersford Wastewater Operations - 2023 Depreciation Study as of December 31, 2023
- PAWC Exhibit 11-J Upper Pottsgrove Wastewater Operations - 2022 Depreciation Study as of December 31, 2022
- PAWC Exhibit 11-K Upper Pottsgrove Wastewater Operations - 2023 Depreciation Study as of December 31, 2023
- PAWC Exhibit 11-L York Wastewater Operations - 2022 Depreciation Study as of December 31, 2022
- PAWC Exhibit 11-M York Wastewater Operations - 2023 Depreciation Study as of December 31, 2023
- PAWC Exhibit 11-N Wastewater CSS Operations – 2021 Depreciation Study as of December 31, 2021
- PAWC Exhibit 11-O Wastewater CSS Operations – 2022 Depreciation Study as of December 31, 2022
- PAWC Exhibit 11-P Wastewater CSS Operations – 2023 Depreciation Study as of December 31, 2023

PAWC Statement No. 12

Direct Testimony of Constance E. Heppenstall (Corrected Version)

- PAWC Exhibit 12-A Cost of Service Study – Water Operations as of December 31, 2023 (Redacted and Confidential Pages)
- PAWC Exhibit 12-B Cost of Service Study – Wastewater Sanitary Sewer System General Operations as of December 31, 2023
- PAWC Exhibit 12-C Cost of Service Study – Wastewater Sanitary Sewer System Royersford Operations as of December 31, 2023

- PAWC Exhibit 12-D
Cost of Service Study – Wastewater Sanitary Sewer System Upper Pottsgrove Operations as of December 31, 2023
- PAWC Exhibit 12-E
Cost of Service Study – Wastewater Sanitary Sewer System York Operations as of December 31, 2023
- PAWC Exhibit 12-F
Cost of Service Study – Wastewater Combined Sewer System Operations as of December 31, 2023

PAWC Statement No. 12-R

- PAWC Exhibit 12-A Revised
Cost of Service Study – Water Operations as of December 31, 2023 – Revised Schedule A and Revised Schedule C
- PAWC Exhibit 12-E Revised
Revised Cost of Service Study – Wastewater Sanitary Sewer System York Operations as of December 31, 2023
- PAWC Exhibit CEH-1R
Water Usage on the Maximum Day of 2021
- PAWC Exhibit CEH-2R
Alternative Cost-of-Service Study for Water Operations as of December 31, 2023 with Direct Assignment of Customer Assistance Program Costs to the Residential Class
- PAWC Exhibit CEH-3R
Variable Cost of Service for PAWC’s York Wastewater Operations

PAWC Statement No. 13

- PAWC Exhibit 13-A
Summary of Return on Equity Analyses Results

PAWC Statement No. 13-R

- PAWC Exhibit AEB-13R
Summary of Return on Equity Analyses Results

PAWC Statement No. 14

- PAWC Exhibit 14-A
Stormwater Fee Feasibility Study

PAWC Statement No. 15

Supplemental Direct Testimony of John R. Popiolek, FSA

PAWC Statement No. 15-R

Rebuttal Testimony of John R. Popiolek, FSA

PAWC Statement No. 16-R

Rebuttal Testimony of Tawana Dean (Corrected Version)

- PAWC Exhibit TD-1R_Confidential

Call Center Scripting re Customer Termination and Assistance Programs Available

PAWC Statement No. 17-R

Rebuttal Testimony of Deborah Degillio

- PAWC Exhibits DD-1R
- PAWC Exhibits DD-2R

PAWC Response to Interrogatory OCA-03-008

2022 J.D. Power U.S. Water Utility Residential Customer Satisfaction Study

PAWC Statement No. 18-R

Rebuttal Testimony of Marcus J. Kohl

PAWC Statement No. 19-R

Rebuttal Testimony of William J. Meinert

- PAWC Exhibit WJM-1R

Coatesville Wastewater Treatment Plant
High Strength Wastewater Surcharge Program
Rate Evaluation – Revised Final Report (April 7, 2022)

BOROUGH OF ST. LAWRENCE, BERKS COUNTY, PA

Borough of St. Lawrence Statement 1

Direct Testimony of Robert J. May

- Borough of St. Lawrence Exh. 1
- Borough of St. Lawrence Exh. 2
- Borough of St. Lawrence Exh. 3

BUREAU OF INVESTIGATION AND ENFORCEMENT

I&E Statement No. 1

Direct Testimony of D.C. Patel (Proprietary and Non-Proprietary versions)

I&E Exhibit No. 1

Exhibit to accompany the Direct Testimony of D.C. Patel (Proprietary and Non-Proprietary versions)

I&E Statement No. 1-SR

Surrebuttal Testimony of D.C. Patel (Proprietary and Non-Proprietary versions)

I&E Exhibit No. 1-SR

Exhibit to accompany the Surrebuttal Testimony of D.C. Patel

I&E Statement No. 2

Direct Testimony of Anthony Spadaccio

I&E Exhibit No. 2

Exhibit to accompany the Direct Testimony of Anthony Spadaccio

I&E Statement No. 2-SR

Surrebuttal Testimony of Anthony Spadaccio

I&E Statement No. 3

Direct Testimony of Ethan H. Cline

I&E Exhibit No. 3	Exhibit to accompany the Direct Testimony of Ethan H. Cline
I&E Statement No. 3-R	Rebuttal Testimony of Ethan H. Cline
I&E Statement No. 3-SR	Surrebuttal Testimony of Ethan H. Cline
An Errata Sheet to Statement No. 3-SR	
I&E Exhibit No. 3-SR	Exhibit to accompany the Surrebuttal Testimony of Ethan H. Cline

CLEVELAND-CLIFFS STEEL

Direct Testimony and Exhibits of Richard A. Baudino

Surrebuttal Testimony of Richard A. Baudino

COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA

CAUSE-PA Statement 1	Direct Testimony of Harry S. Geller, Esq.
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- Exhibit 1: Water and Wastewater Burden Tables
- Appendix A: Resume, Harry S. Geller, Esq.
- Appendix B: Cited Discovery Responses

CAUSE-PA Statement 1-SR	Surrebuttal Testimony of Harry S. Geller, Esq.
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Verification of Harry S. Geller, Esq.

COMMISSION ON ECONOMIC OPPORTUNITY

CEO Statement No. 1	Direct Testimony of Eugene M. Brady
Verification	Eugene M. Brady

EXETER TOWNSHIP

Exeter Township Statement 1	Direct Testimony of The Honorable George Bell, Chairman of the Exeter Township Board of Supervisors.
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OFFICE OF CONSUMER ADVOCATE

OCA Statement 1

Direct Testimony of Ralph C. Smith (Public and Confidential versions)

- Attachment RCS-1
- Exhibit LA-1
- Exhibit LA-2
- Exhibit LA-3
- Exhibit LA-4 (Confidential)

OCA Statement 1SR

Surrebuttal Testimony of Ralph C. Smith (Public and Confidential versions)

- Exhibit LA-5
- Exhibit LA-6 (Confidential)
- Exhibit LA-7

OCA Statement 2

Direct Testimony of Morgan N. DeAngelo

- Appendix A
- Schedule MND-1

OCA Statement 2SR

Surrebuttal Testimony of Morgan N. DeAngelo

OCA Statement 3

Direct Testimony of Aaron L. Rothschild

- Appendix A
- Schedules ALR-1 through ALJ-10

OCA Statement 3R

Rebuttal Testimony of Aaron L. Rothschild

OCA Statement 3SR

Surrebuttal Testimony of Aaron L. Rothschild

- Exhibit ALR-11

OCA Statement 4

Direct Testimony of Jerome D. Mierzwa

- Schedule JDM-1
- Schedule JDM-2
- Schedule JDM-3

OCA Statement 4R

Rebuttal Testimony of Jerome D. Mierzwa

OCA Statement 4SR

Surrebuttal Testimony of Jerome D. Mierzwa

OCA Statement 5**Direct Testimony of Roger D. Colton**

- Schedule RDC-1
- Appendix

OCA Statement 5R**Rebuttal Testimony of Roger D. Colton****OCA Statement 5SR****Surrebuttal Testimony of Roger D. Colton****OCA Statement 6****Direct Testimony of Barbara R. Alexander (Public and Confidential versions)**

- Exhibits BA-1 through BA-10
- Exhibit BA-11 (Confidential)

OCA Statement 6SR**Surrebuttal Testimony of Barbara R. Alexander**

- Exhibit BA-12
- Exhibit BA-13
- Exhibit BA-14

OCA Statement 7**Direct Testimony of Terry L. Fought**

- Appendix A
- Exhibits TLF-1 through TLF-13

OCA Statement 7SR**Surrebuttal Testimony of Terry L. Fought****OCA Hearing Exhibit 1**

List of the Evidence Offered by the Office of Consumer Advocate

OFFICE OF SMALL BUSINESS ADVOCATE**OSBA Statement No. 1****Direct Testimony of Brian Kalcic**

- Exhibit BK-1 W (Schedules BK-1W through BK-9W)
- Exhibit BK-1 WW (Schedules BK-1WW through BK-7WW)
- Exhibit BK-1 IR (Referenced Interrogatory Responses)
- an appendix

OSBA Statement No. 1-R

Rebuttal Testimony of Brian Kalcic

OSBA Statement No. 1-S

Surrebuttal Testimony of Brian Kalcic

- Exhibit BK-1S (Referenced Interrogatory Responses)

OSBA Statement No. 1 REVISED

Revised Direct Testimony of Brian Kalcic

- Exhibit BK-1 W Revised (Schedules BK-1W through BK-9W Revised)
- Exhibit BK-1 WW Revised (Schedules BK-1WW through BK-7WW Revised)
- Exhibit BK-1 IR (Referenced Interrogatory Responses)
- an appendix.

PENNSYLVANIA-AMERICAN WATER LARGE USERS GROUP

PAWLUG Statement No. 1

Direct Testimony and Exhibits of Billie S. LaConte

- Exhibit__(BSL-1)
- Exhibit__(BSL-2)
- Exhibit__(BSL-3)
- Exhibit__(BSL-4)

PAWLUG Statement No. 1-R

Rebuttal Testimony of Billie S. LaConte

PAWLUG Statement No. 1-S

Surrebuttal Testimony and Exhibit of Billie S. LaConte

- Exhibit__(BSL-1S)

VICTORY BREWING COMPANY

Victory Brewing Statement No. 1

Public and Proprietary Direct Testimony of Mark Fabrizio

- VBC Exhibit No. 1
- Confidential VBC Exhibit Nos. 2 and 3
- VBC Exhibit Nos. 4-8.

Victory Brewing Statement No. 1-SR

Surrebuttal Testimony of Mark Fabrizio

- VBC Exhibit Nos. 9-11